

**VAIL RACQUET CLUB  
OWNERS ASSOCIATION ANNUAL MEETING  
Saturday – August 17, 2013  
APPROVED**

**Board Attendees:**

Richard Moothart	President
Mark Christie	Vice president
Kim Dixon	Secretary/Treasurer
Michael Bloom	Member
Rhonda Salinsky	Member
Henry Mitchell	Member
Fred Witsell	Member
Chris Barr	Member
Joe Adams	HOA CPA – EKS&H
Jonah Hunt	HOA Attorney – Orten Cavanagh & Holmes, LLC
Matt Ivy	General Manager
James Cannava	Association Controller
Beth Hensel	Taking minutes

**Call to Order:**

The meeting was called to order at 2:04 pm. A quorum was established and notice of the meeting was proven.

**Approval of the 2012 Annual Meeting Minutes:**

Mr. White (5-10) made a motion to approve the 2012 Annual Meeting minutes as presented. It was seconded and the motion passed unanimously.

**President's Report:**

Mr. Moothart thanked everyone for their attendance and explained that the Association had a very good year. He said winter started with a continued drought and the rentals were down, but thanks to Matt Ivy and the marketing department the fiscal year ended better than budget with operational surpluses in all operations. He said that the Association has experienced the best summer on record and just finished the best July ever.

Mr. Moothart stated that Blu's addition this last year has been very fortunate for the VRC and asked the homeowners to support them to ensure their success.

Mr. Moothart stated that the VRC received accolades this year with a Certificate of Excellence from Trip Advisor which places the property in the top 10% of resorts worldwide. He said they also received a Platinum Service Award from the Vail Valley Partnership.

Mr. Moothart reported the Building 1 and 2 deck replacements were complete and done under budget.

Mr. Moothart explained the Board had spent significant time this past year addressing the rental by owner issue and working to resolve concerns. He said that Kim Dixon would report further on the progress under her Rental Committee report. He said the Board had worked to be more communicative and sent out a total of 16 letters to the homeowners over the past year.

Mr. Moothart thanked everyone who participated in the homeowner survey. He reported that over 95% of the owners are satisfied at the VRC and overall the response suggested fiscal conservatism in regard to some capital projects such as the locker room remodel and a bathroom by the tennis courts.

#### **Treasurer's Report:**

Mr. Adams explained that an Independent Accounts Review Report took place in 2013 and it is similar to an audit but less in scope. He said they have given a clean opinion for the Association's records and that the VRC is in accordance with the general accepted accounting procedures.

Mr. Adams explained that the Balance Sheet from this year to last is comparable and the Association is in strong fiscal shape. He then reviewed the Statement of Operating Revenues and Expenses. He stated the Club and Association were up 6% and Rental up 4% in revenues with an overall increase in revenues of approximately 5%. He stated that the Club and Association were up 5.6% and the Club was up 1.3% (this was primarily due to how utilities were allocated) in expenses with an overall increase in expenses of approximately 3%. He said that Management is doing a great job in managing expenses and operating smartly.

Mr. Adams briefly reviewed the Statement of Changes in Fund Balance and explained that the Capital Reserves dropped as according to the scheduled deck projects. He then explained the Statement of Cash Flows and briefly reviewed the Notes to the Financial Statements saying they were similar to last year's Notes. Mr. Adams explained that the Variances from Operating Budget vs. Actual in all 3 entities were nominal and nothing significant.

Mr. Adams stated that the Extended Reserve Expenditures for 10 Years are expected capital expenses for the future and that the plan is very fluid depending on the project's necessity at the time and the property's priorities.

David Littman (7-10) asked why the Club had a deficit. Mr. Adams said that depreciation accounts for most of the deficit and since depreciation is a non-cash item the Club has surpluses at the end of the year.

Fred Berhanke (4-13) asked why they carry a balance of so much in the Rental Reserve Fund and why there was not a corresponding note to that effect. Mr. Adams explained the balance amount of \$300,000 was set by the Board on suggestion of EKS&H and is set aside for emergency years when rentals fail to hit expectations.

#### **Secretary's Report:**

Ms. Dixon reported that there were 10 candidates who had currently expressed an interest in running for the Board and that others could stand for election prior to the voting. Mr. Littman (7-10) made a motion to allow the candidates to answer questions from the attendees regarding where they stood on the VRBO issue. Mr. Smith (2-10)

made a motion to have the candidates include a comment on their stance regarding RBO instead of having each one answer questions. Mr. Christie (3-13) seconded. Discussion followed and Mr. Littman agreed to amend his motion. Ms. Bellinghausen (12-15) asked if they would also explain if they are short-term rental, long-term rental or live here year round. Ms Dixon explained that most of that information is already included in the candidate's biographies. The motion passed unanimously.

### **Manager's Report:**

Introduction of Staff-

Mr. Ivy introduced the Department Managers: Lindsay Stadler - Administrative Assistant, Refurbishing Coordinator, Retail Manager, Wendy Martin - Director of Sales and Marketing, Iris Nelson - Maintenance Office Manager, JR Cruz - Contract Housekeeping, Kevin Orlando - Front Office Manager, Craig Holst - Club Manager, James Cannava - Controller, Steve Loftus - Director of Facilities and Grounds.

Blu's-

Mr. Ivy introduced TJ Armstrong, the owner of Blu's.

Mr. Armstrong explained that Blu's is a 30 year brand in Vail. He said he lost the Village lease in September 2012 and his intent was to find a good new home for his restaurant. He said they historically serve breakfast, lunch and dinner and he has been trying to stay open as many days of the year and as many hours of the day as possible. Currently they are open 5pm to 9 or 10pm and breakfast from 8am to 11am on weekends and holidays.

Mr. Armstrong said the VRC has been good to work with but he needs to increase revenue. He has been working on special events, bringing in the Village regulars and bringing in the East Vail locals. He asked for the homeowners help in promoting the restaurant by putting menus in the units and word of mouth.

A homeowner commented that Blu's is a great asset and they enjoyed the restaurant and asked what marketing they have done. Mr. Armstrong said his marketing plan is still evolving with internet and social media planned and signs on the busses, signs in the parking garage, newspaper ads, concierge publications, a la car menu book and targeted mailings taking place.

A homeowner suggested a concierge night.

A homeowner suggested being on Trip Advisor in partnership with the VRC. Mr. Armstrong said he already has testimonials on Trip Advisor and he will keep the suggestion as an option.

Ms. Dixon mentioned that the menus are already in all the Rental Program rooms but not sure about the RBO owners.

A homeowner asked if the VRC marketing department could help Blu's. Mr. Ivy said the Special Events marketing is helping.

A homeowner asked what improvements Mr. Armstrong would like to see in the Blu's space. Mr. Armstrong said he has lots of ideas but lighting is one suggestion. He said the room and location are great.

A homeowner asked what kind of vibe he was trying to create. He said they haven't remodeled at all yet but they always try to greet customers and be welcoming. Mr. Moothart concluded the questions for Mr. Armstrong and thanked him for being at the VRC.

Next, Mr. Ivy took a raise of hands poll as to who was in the rental program, who did not rent, who rented long term and who rents short term RBO. The poll showed there was a diverse population represented in the audience.

#### Unit Sales-

Mr. Ivy reported that 21 units have sold in the past 12 months. He said the overall prices have increased with 12, one bedrooms sold between \$205,000 and \$310,000, 7, two bedrooms sold between \$325,000 and \$512,000, no 3-bedrooms sold and 2 townhomes sold at \$555,000 and \$579,000. He said 8 units have sold since the end of April which is a fast pace and indicates the market is improving. He reported that the one bedrooms average sales price increased 17% from last year to this year, the two bedrooms increased 6% and the townhomes stayed relatively flat. He said currently there are 9 units for sale as compared to a few years ago when there were 30 units on market and this is further evidence of a much healthier real estate market place.

Mr. Ivy reported that currently there were no homeowners in arrears or defaulting thanks to James Cannava's management of the Accounting Department. He reported that all operations were in the positive with surpluses this past year.

Mr. Ivy explained that the Town of Vail did a lodging survey and reported that out of 5000 short term rentals in town, approximately 600 were using 3<sup>rd</sup> party sites such as VRBO which accounts for about 11% of the market. He said the VRC is similar with those results having approximately 9% represented on VRBO.

Mr. Ivy added that they had a rough start to the year with the drought conditions and the Lodging Operation was down \$100,000 from budget in the month of December alone, but by the end of the fiscal year the operation had achieved budgeted revenue and showed impressive surpluses. He credited Wendy Martin in the Marketing department for their successful efforts which benefits the whole property. He continued with an update of the successful rebranding efforts which had been made transitioning to Vail Racquet Club Mountain Resort.

Mr. Ivy said the US Pro Challenge time trial race would be passing by the VRC and a hospitality tent would be set up for the race at the east entrance. He noted that Bighorn Road will be closed from 11am to 4pm for the race but bus service would be running from the Village every 20 minutes.

Mr. Ivy said the VRC has a great team of managers which shows by being the only resort receiving the Platinum Award 10 years a row and this year they tied for #1 as well as the receiving the Trip Advisor Certificate of Excellence as mentioned earlier. On behalf of the managers and himself, he thanked the owners for the opportunity to be a part of this special property.

## **Committee Reports:**

### Finance Committee-

Mr. Witsell briefly reviewed how the VRC is operated as 3 separate entities: the Homeowners Association, the Club and the Rental Operation. He said the fiscal year runs June 1- May 31 so each year gets a full winter and a full summer. He explained they are a non-profit organization and therefore budget for "break-even" years. He said that when the operations generate surpluses that they roll that into the Reserve Fund. He explained in the 10 Year Capital Plan they have allotted approximately \$250,000 per year for the decks which means that one building is done every other year and with this plan they have avoided special assessments. He said the Club operations and the Garden Level Units contribute to the HOA Reserve Fund. He said the Board as a whole, drives the management teams hard on expenditures and added the VRC had a good 2012/2013 year overall.

### Rental Committee-

Ms. Dixon explained the Rental Program had record breaking rentals with a 25% increase in July 2013 for the best July ever. She said they had increased their rates and consequently were getting reservations even at the higher rates. She explained that in the past 2 years there have been 48 units sold with 28 of those units entering into the Association's rental program, 16 are non-rental and 4 are Rental by Owner (RBO). She explained that only 9% of the owners were RBO.

Ms. Dixon reported that there was a \$75,000 surplus this year in the Rentals. She said that approximately \$300,000 is kept in a reserve account and announced that this year's operational surpluses would be returned to rental operation participants by providing free fall deep cleanings and preventative maintenance inspections.

Ms. Dixon explained that they had a pilot program to change the components of the spring cleaning this year to cut the cost by 30%. She said the results of the clean were good and they will do it again this spring. She said all of these things are to accomplish the main goal of the Rental Program and put more money in the pockets of the homeowners that rent their units. She said they have had great results with the Marketing Department and thanked management for all their efforts. She said if the surpluses continue then the goal of the Rental Committee is to make an adjustment of the rental split to be more favorable to the rental owners.

Ms. Dixon explained the Committee had put a lot of work into the RBO issue this past year. She said they met more than 20 times trying to iron out the rules to make sure the quality of the VRC is maintained and the enforcement of the Bylaws is met, and to be fair to all parties. The Committee and Board had concerns with the use of services and amenities (front desk, Club, etc.) by RBO renters and had been working on how those issues could be remedied. She said they had researched 19 other local properties and they charge fees or don't allow RBO rentals at all. When the Board asked the VRC lawyers to review the Bylaws, they reported that their belief was that VRBO is an "Agent" and the Bylaws don't allow the use of outside "Agents". Initially, based on this information, the Board came to the conclusion that owners could not use RBO websites, but later suspended the ruling so as to avoid potential legal fights in this time of legal ambiguity.

She said currently the homeowners can rent on their own but cannot use the Association services or the Rental Program services. Ms. Dixon reported that a study was done

some years ago and was recently updated that revealed that the Association benefits approximately \$400,000 per year from the Rental Program. She said if there were no Rental Program, the front desk operations as they are would not exist, there would be no additional Club revenue, no on site housekeeping or maintenance would be available and the marketing would not exist. She summarized by saying the entire Association benefits from the Rental Program and the more homeowners that participate, the greater that benefit is for all.

Ms. Dixon said they are trying to have fair and equitable treatment, but they cannot allow RBO renters to be a drain on the front desk or other amenities. She gave the Committee's thanks to Debbie Trent who has worked with the Committee to represent the interests of the RBO homeowners. She said Ms. Trent provided input which helped the Committee to craft the new rules and the Board has asked Ms. Trent to review the final draft of those rules before they approve them. Those rules will be sent out to the homeowners once approved.

#### Club Committee-

Ms. Salinsky reported the membership cards are a great success and they have collected more than \$52,000 in guest fees which is \$9,000 more than last year. She said she has seen lots of families in the park this summer using the yard games that are available at the front desk. She said many guests have used the bikes which are available through the Front Desk and some also rented bikes through our partners at Venture Sports. She said there were lots of new tennis classes such as the cardio class and she said the tennis social had a great turn out. She reported the Youth Swim Program was a great success and good exposure for the VRC. She said the fitness schedule is online and at the front desk and there are over 20 classes each week that are offered currently. Ms. Salinsky reported the 3<sup>rd</sup> Annual Women's Empowerment conference will again be held at the VRC and information is on the VRC website and at the front desk.

She explained they extended the closing hours of the Club over the 4<sup>th</sup> of July holiday week on a test basis and monitored usage. There ended up being very little turnout with only 3 or 4 people using the Club between the hours of 9:00 and 10:00 PM. Therefore, she said the Committee determined it would not be fiscally worthwhile to extend the hours of the Club in the summer.

Ms. Salinsky said the Committee reviewed the survey data and it reflected that the majority of homeowners are not willing to spend a lot of money right now to update the locker rooms or redo tennis courts at this time. She said that the Committee will continue to consider items for improvement as they fit into the current budget, but that it is important to maintain the facility at a certain standard in order to stay competitive and protect our property values.

#### Compensation Committee-

Mr. Moothart explained that the Committee would be reviewing information that pertained to the management incentives and would finalize things for 2012/13 within the next couple of weeks.

#### Building & Grounds Committee-

Mr. Bloom explained that there was \$917,000 in Capital Projects this year. He said the VRC sits on over 20 acres, with 32 buildings and 334 units. In order to address the

capital needs of the property, 29% of the monthly assessments are dedicated toward the Capital Reserve. He said the VRC is very fortunate to have Steve Loftus who is a great Maintenance Director. He reported there were many projects completed this past year including Building 1 & 2 decks, landscaping improvements, fire alarm system upgrade, asphalt improvements, snowmelt improvements, tennis court resurfacing, Club lobby carpet replacement, water main rupture repair and additional signage. He said upcoming projects include the Building 6 patio replacement, continuing the fire alarm system upgrade and a hot tub pump upgrade.

### **Election of Directors:**

Positions for Election-

Ms. Dixon explained there were 3, three year positions and 1, two year position open on the Board of Directors in this year's election. She said the Bylaws require two separate elections one for the regular terms and one to fill the vacancy, but when the time comes she will ask if there are any objections to holding one election where the top three vote getters would be elected to the three year terms and the 4<sup>th</sup> place vote getter would be assigned to the two year position on the Board.

Nominations-

Ms. Dixon asked if there were any other owners who were interested in running for the Board. There were no other interested owners so she asked that each of the declared candidates please introduce themselves to the membership. The nominees spoke in alphabetical order:

- Michael Bloom G-5
- Patty Bortz 8-3
- Fred Bradford 5-2 and 5-3
- Henry Mitchell 3-1
- Hal Naiman P-4
- John Picciotto 1-11
- Steve Smith 7-19 Not in attendance
- Debbie Trent 12-4
- Carroll Tyler 7-16
- Craig Veldhuizen 12-5 Not in attendance

Ms. Dixon asked if any of the nominees or homeowners would object to holding a single election to determine all positions on the Board with the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> most votes getting the three year terms and the candidate with the 4<sup>th</sup> most votes would be assigned the two year term. There were no objections from the nominees or the homeowners.

The homeowners voted their ballots and the ballots were collected to be counted.

### **Unfinished Business:**

There was no unfinished business to discuss.

### **New Business:**

Ms. Dixon clarified for the meeting that when referring to the Rental Program she meant for short term rentals only.

The meeting was opened up to questions from the homeowners.

Mr. Noble (11-11) asked for a definition of short-term rental vs. long-term rental. Mr. Ivy explained that the Association considered short-term as nightly rentals, seasonal rentals are a month or more and long-term rentals are for 12 months or more. Mr. Noble suggested that the definition should coincide with Colorado state law and under 30 days considered short term rental.

Mr. Koclanes (G3) said he sees positive things happening at VRC but with more than a third of the Capital Reserve Fund budget being allotted to condo decks each year, he is concerned that the plan seems unbalanced favoring the condos over the townhomes. Mr. Witsell expressed his understanding of the situation as he is a townhome owner also. He reassured Mr. Koclanes that the Board keeps all projects on the radar but must set priorities and Common Area maintenance is in fact benefitting the entire Association.

Mr. Weinstein (1-12) explained he was in the building that had its deck redone this spring and he equated it to going to the dentist; he didn't want to go through it but it is necessary and in the end, it wasn't as bad an experience as you would think. He said everyone working on the project, VRC and construction, were very pleasant and helpful and there has been a great result.

Ms. Bradley (7-5) requested a committee form to address the highway noise issue. Mr. Witsell explained he personally met with CDOT 3 years ago and was told the overall average noise from I-70 didn't exceed the decibel maximum level and did not qualify for a noise abatement project. He said CDOT did repave with a noise-reducing asphalt and has the sign banning the use of jake-breaks.

Ms. Levin (12-16) thanked the homeowners for taking better care of their dog's waste. She added that Iris Nelson is excellent at her job and expressed her appreciation for her. She also thanked the Club for looking at staying open later and perhaps they can include that question in next year's survey or notify owners more clearly if they do another pilot to try to stay open later. She asked how homeowners can access the Board member's email. Mr. Moothart explained that their personal email is private, but the homeowners can email correspondence to [Board@vailraquetclub.com](mailto:Board@vailraquetclub.com) and it will be forwarded on to the proper Board member, but that many times Mr. Ivy can manage many of the requests.

Ms. Tyler (7-16) suggested that homeowners' email be used by VRC management for all correspondence instead of US mail. Mr. Ivy said the Association does email statements to most of the owners which has saved a lot of money; however there are still a few owners who prefer to have paper copies sent to them.

Mr. Littman (7-10) thanked Mr. Ivy and his staff for their great work. He voiced his concern regarding some owners not supporting the Rental Operation. He said he feels that the RBO takes away from the VRC as a whole, that the rental program would perform better and benefit all owners more if everyone would participate in it and not stray away. He said that VRC employees having to police RBO guests is a surcharge to the other owners unless the RBO owners contribute to the costs and he was concerned that when RBO guests are dissatisfied, then their feedback through social media could be detrimental to all owners. He said that even though it is better to stay within the fold of the rental program, if VRBO is a mechanism where cash flow could be increased to all owners and benefits all, then we should figure out a fair way to go about benefiting from the use of this technology.

Mr. McCaffrey (7-12) thanked Mr. Ivy and Ms. Martin for the re-branding of the VRC as a Mountain Resort. He said he is in VRBO and thinks there is an opportunity to co-market and both would benefit. He asked if individual homeowners wanted to look into the noise abatement issue could they do that independently. Mr. Ivy said they could and he would direct them if they needed help. He also recognized Mr. McCaffery for his input at the annual meeting two years ago when he suggested the idea of updating the name of the property to more accurately reflect what the property is today.

Ms. Manta (C1) said she thinks there is a compromise with RBO and the Rental Program that could be reached. She said she is a participant of the VRC Rental Program and she uses VRBO and turns those reservations over to VRC to manage and then receives a better split.

Ms. Gorgens (A-1) expressed her thanks to Mr. Ivy and asked if the service amenities could be offered to RBO on an a la carte basis. Ms. Dixon explained that it doesn't work with the current Bylaw rules and a change would need to be voted in to allow that. Ms. Gorgens said she would like to see the comments from the survey regarding RBO and also suggested that the VRC could help Blu's with their internet marketing.

Mr. Sorrells (9-6) commented that the homeowners have a great situation at the VRC and encouraged them to recognize how well the Association is operated and managed and he is sad he is moving. Mr. Moothart voiced the Board's thanks to Mr. Sorrells for his years of outstanding service on the Board.

Ms. Kratz (7-6) explained she is trying to decide whether or not to stay in the rental pool. She asked the Board if they would be willing to increase the nightly rental rates as their rental income has dropped in the last year drastically from around \$4,000 to \$400. She said they have a platinum rated unit. Mr. Moothart said the Rental Committee would take that under advisement. (Please note, on investigation the rental returns were actually in line with previous years and management has met with the Kratz's to review their statement).

**Election Results:**

Ms. Dixon reported that the three year terms on the Board of Directors were filled by Michael Bloom, Patty Bortz and Fred Bradford and the two year term was filled by Hal Naiman. She thanked Mark Christie and Henry Mitchell for their service on the Board.

**Adjournment:**

Mr. Littman made a motion to adjourn the meeting. Mr. White seconded and the meeting adjourned at 5:00 pm.