

**VAIL RACQUET CLUB OWNERS
ASSOCIATION ANNUAL
HOMEOWNER MEETING
Approved Minutes
Saturday – August 15, 2015**

Attendees:

Richard Moothart	President
Fred Witsell	Vice President
Hal Naiman	Secretary
Fred Bradford	Member
Patty Bortz	Member
Greg Simpson	Member
Rhonda Salinsky	Member
Dave Cole	Member
Matt Ivy	General Manager
James Cannava	Association Controller
Joe Adams	EKS&H - Association's CPA
Jonah Hunt	Orten, Cavanagh & Holmes, LLC - Association's Legal Council
Beth Hensel	Taking minutes

Call to Order:

The meeting was called to order at 2:07 pm. Quorum was established and notice of the meeting was proven.

Approval of the August 16, 2014 Meeting Minutes:

Mr. Noble made a motion to waive the reading of the August 16, 2014 meeting minutes and approve them as presented. Ms. Schlesinger (13-09) seconded and the motion passed unanimously.

President's Report:

Mr. Moothart explained that the Association had an excellent year and relayed that again this year the participants in the Lodging Operation received a 5% rebate on their regular rentals as well as a deep spring clean from the rental surplus. He thanked the homeowners for completing the survey and said the Board reviews these and takes the feedback seriously.

He explained that the meeting would highlight two major items; the election of three board members and the Unfunded Capital Projects. Due to the importance of the latter, the homeowners were sent an information packet containing pertinent details, there have been homeowner forums and site tours, and the Board members and management have been actively addressing questions and concerns so as to clearly explain the necessity of the projects.

Treasurer's Report:

Mr. Adams from the accounting firm of EKS&H explained that this year their firm conducted a full audit. He explained that the financial statements are in accordance with general accounting practices, and in summary there were no significant adjustments. In his opinion James Cannava is doing an excellent job saying the records and books were in great shape. Mr. Adams reviewed the financial report including the Balance Sheets

and Statements of Operating Revenue and Expenses as well as Statements of Cash Flows. He said management has done an excellent job of controlling expenses.

A homeowner asked why a salary line was over budget so much and Mr. Ivy explained they use an incentive program for sales and marketing based on surpassing revenue goals. The marketing employees have a base salary with a percentage of revenue incentive. Another homeowner asked what a "Cash Equivalent" was and Mr. Adams explained in this case it was a CD. An additional question was asked as to why the Board of Directors expense was so high and how the Board of Directors was compensated. Mr. Ivy explained that the line item is a bit of a misnomer and includes owner mailings, surveys, and receptions. He said that Board Members are volunteers and they are compensated only for their travel expenses (flights and mileage) however most do not submit for reimbursement.

Secretary's Report:

Mr. Naiman reported on the known candidates running for the three open Board of Director positions: Lindsey Knotten (1-5), Leslie Levine (12-16), Hal Naiman (P-1), Rhonda Salinsky (15-5) and Fred Witsell (O-2).

Manager's Report:

Mr. Ivy said he was proud of the management team who all received an 80% or better in approval rating on the Owners Survey.

Unit Sales-

Mr. Ivy said 35 units have sold in the past 12 months from August 2014 to August 2015 with 18 one bedrooms selling between \$215,000 and \$319,000, 13 two bedrooms selling between \$373,000 and \$565,000, 1 three bedroom selling for \$569,000 and 3 townhomes selling between \$657,000 and \$679,000. Currently 9 units are on the market which is lower than average.

He noted that year over year average sales prices were at a three percent increase in one bedroom units, four percent increase in two bedroom units, a two percent increase in three bedroom units and nine percent increase in townhome units. Mr. Ivy acknowledged that there were fears of property value depreciation with the news of a special assessment, but said that having the Board announce the anticipated amount helped to calm the real estate market and they are still experiencing a good volume in sales with no large drop off in sales prices.

Rental Update-

Mr. Ivy said the Lodging Operation's revenue was seventeen percent better than in 2014/15 with \$3,170,000. Hiring a Director of Sales and Marketing has proven to be successful. Room rates were not slashed to get these results and the average daily rate and occupancy were both up and the dynamic pricing strategy has been effective. In general, Vail had a good year and that drought conditions at other western ski areas may have been a factor which brought in business to the Valley as was the 2015 World Alpine Ski Championships.

Rental By Owner-

Mr. Ivy reminded the homeowners that the Town of Vail passed a new rental by owner (RBO) ordinance in which any RBO participant must currently display their tax ID

number in their listings and obtain a Town of Vail business license beginning January 1, 2016.

I-70 Noise Mitigation-

Mr. Ivy said based on concerns from last year's Annual Meeting he had followed up with the Town Manager regarding noise mitigation from I-70. The Town Manager is a member of the I-70 Coalition and he said that nothing will be done in the foreseeable future and there is no money available for noise mitigation. However, sound barriers are planned when the CDOT widens the Interstate to three lanes at some point in the future.

Environmental-

Mr. Ivy explained that VRCMR has received the Actively Green certification that is awarded by Walking Mountains and Sustainable Travel International. He also said the Association has explored opportunities for solar panels but due to the East Vail location, it is not feasible to have solar panels on property because there is not adequate sunlight. Mr. Ivy reported that they have looked into participating in a solar panel array in the Roaring Fork valley but currently it is fully subscribed. He said individual homeowners may have an opportunity to participate in the solar arrays when more become available and there was about a twelve year payback under the current model.

Accolades-

Mr. Ivy stated that the VRCMR has now received the Platinum Service Award Twelve years in a row and is the only Lodge in Vail to do so. In addition they have received the Certificate of Excellence from Trip Advisor and an Excellent rating by Hotels.com. These awards are not just rental related, but are a great reflection on the property as a whole and for property values. Potential buyers recognize these achievements and take this into consideration when they search for properties.

Mr. Ivy thanked the homeowners in attendance and those who have participated in the property tours, saying that it is very exciting to see owners coming together and supporting property maintenance and improvements. This truly shows their dedication to the VRCMR and believes in the property and is poised for a very optimistic future.

Mr. Hunter (1425) asked how many units are in the rental program. Mr. Ivy explained there were usually around 100 units.

Ms. Dahl (1109) asked if the sales figures were averages and said she would like to see median prices and a comparison to the same time last year. Mr. Ivy confirmed they were average selling prices.

Mr. Ahlbrandt (0309) asked for an explanation of the Garden Level Rental units. Mr. Ivy responded that they were units of approximately 430 square feet and were originally used as deed restricted employee housing units. Currently some employees rent them and they anticipate that with the current housing situation in town that they will be using more for that purpose in the future. Furthermore, rents are based on the level of remodel and range from \$750 to \$1000 per month. Garden Level units fall under the HOA budget and add approximately \$130,000 into the HOA Capital Reserve fund annually.

Committee Reports:

Club-

Ms. Salinsky reported there are currently 278 current outside members and the membership cards are working well. She said they collected \$51,000 in outside guest fees and clarified that the owner's Family membership includes all members up and down the direct family line; grandparents, parents, kids and grandkids. Ms Salinsky noted there are outside games available at the front desk for checkout and she added that Venture Sports will rent and deliver bikes to the VRC. She said there were 2 new treadmills and mentioned there are a wide variety of fitness and tennis classes offered and massage options for our homeowner's and guests. The recent Tennis Social was fun and well attended. She continued with information on the age and condition of the locker rooms and said the Club Committee recommends moving forward on all of the amenity projects that are currently unfunded.

Rental Committee-

Mr. Bradford reported that the Rental program had a record breaking year with an increase in revenue of 17%. He said with the surplus the Lodging Operation rebated participants 5% of their regular rental revenue, plus provided a deep spring clean with the remaining surplus going to reserves. VRCMR had a great year for group sales with booking the 10th Army group, the 2015 Championships, and an increase in weddings and reunions. He said they are using a dynamic rate system that has helped to maximize the revenue for the participants.

Finance-

Mr. Witsell stated that it was nice to see such a good turnout for the meeting. He explained there are no issues with accounting and the Association operates as a not for profit. He reiterated that they just had a record breaking year and with all the events for 2015, it was an anomaly. He said the budgeting strategy is to break even for the year with a small overage. He explained the Association experienced staffing issues with the valley wide housing shortage so they have had to increase the wages to stay competitive. He added the Capital Reserve Fund pays for scheduled projects each year.

Building & Grounds Committee-

Mr. Simpson presented the Critical Unfunded Projects. He said last year was his first year on the Board and he was very skeptical of the unfunded projects and the need for a special assessment. However, after studying the issue, learning the history and seeing the property conditions first hand, he now understands how important it is to move forward with these improvements. Mr. Simpson explained that the Board members are homeowners too and are being impacted just like all homeowners. He reminded the audience that the Board has open lines of communication and they are listening to the concerns presented from homeowners. Key issues are safety and building integrity. For several years the Other Unfunded Projects have been put off due to the necessity of completing the decks and now these items are being addressed.

Mr. Simpson reported there have been 123 homeowners that have participated in the property tours and owner forums. He encouraged all homeowners to take the opportunity to become more fully informed by taking advantage of these sessions. He relayed that there will be an additional tour to include one on Labor Day weekend.

He explained the Board has unanimously approved the Critical Unfunded Projects to be funded by a special assessment. The Other Unfunded Projects will be put up for a vote

by the homeowners. The Board will provide more information to owners in September and plan to have the homeowner vote in October.

Mr. Loftus reviewed the history of the deck issue.

Mr. Simpson said the homeowners were given a preliminary financial document at this meeting and asked them to review the estimates for both the Critical and Other Unfunded Projects. He said feedback is encouraged and the Board's email is Board@vailracquetclub.com.

Mr. Behr (C3) asked if another deck collapses in the next year does the HOA have the funds to fix it. Mr. Loftus answered that the dry rot in the decks actually strengthen in the winter as the water freezes but in case of an emergency, they do have the funds. Mr. Behr asked if the Association is insured for a catastrophic event. Mr. Ivy explained they do an insurance analysis every year and there is liability insurance.

Ms. Behr (C3) asked of the proposed eight million dollar projects which are the most critical. Mr. Simpson responded that the Board had determined that all of the Critical Projects are absolutely necessary and the Other Unfunded Projects are to be voted on by the owners, yet are also needed.

Mr. Pickering (0919) asked if the Board alone made the decision on the \$8M special assessment. Mr. Simpson answered yes and said it was their responsibility and duty to do so.

Mr. Behr (C3) explained that he is not okay with the assessment and feels it is not fair to assess the current owners when this has been an ongoing issue and there has not been enough discussion. Mr. Simpson replied that this is why it is important for the Board to conduct the tours in order to make sure the homeowners have adequate information.

Mr. Dowd (L2) asked in regards to the Townhome's siding issue; would the Board be open to adjusting the numbers should a better solution be found. Mr. Moothart said yes, the Board is always looking for the most economical solution. Mr. Loftus explained the siding issues and reiterated the Board will be investigating a variety of options.

Mr. Laws (F1) said these issues should be expected since the property has now experienced an accumulation of thirty-five years of wear and he is in support of the assessment.

Mr. Weinstein (1-12) said he understands the apprehension the homeowners feel and believes the \$8M assessment needs to be broken out into specifics. He also has been asking himself how he is going to pay for it and noted that he met with a loan officer at First Bank and a thirty year term loan to the Association would be possible. He asked that the Board look at different or easier financing options for homeowners.

Another owner said he disagrees with the thirty year term loan idea saying it is up to the individual owner and all the homeowners should not have pay extra in support of long term financing. Mr. Simpson said the Board tends to be against a long term loan as it raises the monthly assessments to an uncompetitive level and would reflect poorly on sales.

Mr. Behr (C3) suggested that units in the rental pool in the buildings that have critical decks should be taken out of the system to eliminate the risk of failure.

Ms. Lamberson (0903) offered the suggestion that the Association assess the eight million for improvements and let individuals get their own 30 year loan saying it is not the whole Association's responsibility. She said she would like to see the decks and everything else get done and we must take care of the property.

Election of Directors:

Mr. Moothart asked if there were any nominations from the floor; there were none. Nominations were closed. Mr. Cole asked to speak for a moment and attested as a new Board member last year that there is no bias amongst the Board as to which members own townhomes versus condominiums. He said this topic never comes up and the Board looks at the property as a whole.

Introductions to the Candidates-

Each candidate stood and spoke regarding their interest in being on the Board. Mr. Moothart explained that Lindsey Knoten was not able to make it to the meeting due to a sudden illness.

Vote-

Volunteers were asked to help count votes. Votes were cast and collected for tallying.

Unfinished Business:

There was no unfinished business.

New Business:

The floor was open to the homeowners for questions.

Ms. Tyler (0716) voiced her concern with finding a contractor and suggested the Association hire someone to oversee each project.

Mr. Hunter (1425) inquired as to how the costs are developed since 50% of the budget is going to only 20% of the Association. Mr. Cole explained that two million has already been spent on the decks and over time the regular maintenance of the decks actually still puts the townhomes at a deficit.

Mr. Roth (G4) voiced his concern with the aesthetics of the current townhome design and said it doesn't relate to the alpine feel of the area. He suggested that the Board get the opinions of other design contractors. Mr. Moothart said the Board would take the suggestion under consideration.

Ms. Pickering (9-19) said the fireplaces are not a common element and asked if the Board has used a competitive bidding process for all work. Mr. Moothart said Mr. Loftus needs to get the architectural design first and then the projects will be put out to bid.

Mr. Croissant (G2) asked why the Association isn't using the cash in the Reserve. Mr. Moothart explained that the funds are already spoken for in the Reserve Schedule.

Mr. Shub (0108) inquired if the Board is taking measures to prevent issues with fireplaces and decks such as no deck parties and no storage.

Ms. Lynn (1022) asked if the wood burning stoves in Buildings 9 and 10 are being replaced. Mr. Loftus explained that those units are inherently safer as they are free standing and pose a lower risk. He said they would need to be addressed at a later date.

Mr. Lothrop (0414) asked if the Association had considered selling the Garden Level Rental units to fund the assessment. Mr. Moothart replied that the option was reviewed in detail and it was determined that keeping the units was more fiscally responsible and profitable.

Mr. Noble (1111) thanked Mr. Simpson for presenting the issue and feels that this assessment was presented to the homeowners in a much better fashion than the one in 2009.

Mr. Dowd (L2) suggests making a motion to create an architectural review committee to assist with the townhome exterior design. Mr. Moothart said the Board would welcome this input and ask that volunteers let the Board know if they are interested.

Mr. Roth (G4) made a motion to set up an ad hoc committee for architectural suggestions on the remodel of the townhomes. Mr. Dowd L2 seconded and the motion passed by a majority of the homeowners present.

Mr. Laws (F1) said that it was important for the homeowners to understand that all homeowners have ownership and financial responsibility for the whole property. He explained the importance for all owners to support maintaining the entire property and all of its amenities.

Ms. Schlesinger (1309) voiced her concern with the fact that most work starts in 2017 but the interest is charged in 2016 for quarterly payments for future work. Mr. Witsell explained the Association is not an investment house and there is a risk to have extended time for payments so they need to charge interest. He said the set rate would be determined at a future date.

Mr. Koclanes (J4) said he has owned since 1996 and knows this is an amazing property and these projects need to be done. In looking into the future of the Reserve Schedule, he asked if funds over the years will be available for the Other Unfunded Projects. He also asked if there would be another meeting to discuss these Other Projects. Mr. Witsell agreed that there needs to be a discussion and said this meeting is the forum. Mr. Cole explained that if the homeowners don't vote to fund the Other Unfunded Projects then those items would be pushed back until at least 2025 as there is no funding available until all the deck projects are completed.

Mr. Hunter (1425) voiced his concern that there would not be enough space in the bike storage for all who want them. Mr. Moothart explained that on the homeowner survey there were about one hundred owners who expressed interest in bike storage but they are unsure of true participation and more details will be worked out as the project progresses.

Ms. Nicks (A1) said she thought the Club could generate more revenue for such things as charging for parking, massages, having the coffee shop back and money from tennis lessons.

Mr. Weinstein (0112) asked if the Board can legally make assessment decisions without the approval of the homeowners. Mr. Hunt, legal counsel, answered yes. Mr. Moothart reminded the homeowners that the Board voted unanimously for the special assessment for the necessary critical projects. Ms. Bortz added that the Board of Directors are homeowners too and look at the Vail Racquet Club with great personal and investment value. She said the property listings in the newspaper all list the Club amenities and these amenities are of great value to realtors and potential buyers therefore they must be maintained.

Election Results:

Mr. Moothart reported that the new members to the Board of Directors are Hal Naiman, Rhonda Salinsky and Fred Witsell.

Approval of the Actions of the Board of Directors:

Mr. Moothart asked for a motion from the floor to approve the 2014-2015 Actions of the Board of Directors. Ms. Schlesinger (13-09) made the motion and Mr. Roth (G4) seconded. The motion passed unanimously.

Adjournment:

The meeting adjourned at 4:47 pm.