

**VAIL RACQUET CLUB OWNERS ASSOCIATION
ANNUAL MEETING MINUTES – UNAPPROVED
Saturday – August 12, 2017**

Attendees:

Richard Moothart	President
Greg Simpson	Vice President
Hal Naiman	Secretary
Fred Bradford	Member
Patty Bortz	Member
Fred Witsell	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
Nils Peterson	Taking minutes

Call to Order:

The meeting was called to order at 2:10 pm. A quorum was established and notice of the meeting was proven.

Approval of the August 13, 2016 Meeting Minutes:

Judy Schlesinger (13-09) made a motion to waive the reading and approve the August 13, 2016 meeting minutes as presented. The motion was seconded by Greg Grotke (09-06) and passed unanimously.

President's Report:

Dr. Moothart introduced himself and thanked everyone for coming to the Annual Meeting and for completing the Annual Homeowner Survey. Dr. Moothart summarized the results and noted that 41% of the homeowners have owned at the Vail Racquet Club for over 10 years. He then reminded owners about the homeowner website that they could use as a resource.

Dr. Moothart informed the homeowners that the last year was an excellent year for the Association. He summarized that the financial performance was strong and produced surpluses allowing the Association to transfer money into the reserve funds.

Dr. Moothart informed the homeowners about the capital projects spearheaded by Maintenance Director, Steve Loftus who is doing an excellent job. Dr. Moothart summarized the projects by saying each project was either on or ahead of schedule and within the overall budget. He reported on the different projects which included the Building 12 and 3 Deck Projects, the Tennis Courts, the Pickleball Court, Townhomes F, J, and K exteriors, as well as the Bike Storage. Dr. Moothart concluded that the first year

of the four year plan was a success, and that the next project to be underway would be the Building 5 Deck Project.

Dr. Moothart then introduced the Board of Directors

Treasurer's Report:

Mr. Adams, CPA with EKS&H the Association's independent auditing firm informed the homeowners that a review this year was conducted which is less in scope than an audit which is done on a 5 year cycle. He noted that the EKS&H opinion was a clean review and the books and records are in great shape.

Mr. Adams reviewed the Financials including the Balance Sheet, Statements of Operating Revenue and Expenses, Statement of Changes in Fund Balances, Statements of Cash Flows and the Notes to the Financial Statements.

Mr. Adams highlighted a few key notes through the financials. He began by mentioning Cash and Cash Equivalents (specifically restricted) were higher year over year due to the billing and payments of the special assessment. Mr. Adams reiterated the transfers of \$255,000 and \$124,000 for operating funds to the respective reserve funds and mentioned the Notes section in the Financials which happened to be similar to last year's and pertained to accounting treatments of certain activities.

Mr. Adams reviewed the Revenue and Expenses and concluded with the supplemental information at the back of the financials as mandatory supplemental information provided by the association, but that it was not reviewed by EKS&H.

Mr. Adams opened the floor for questions.

Jerry Colten (09-02) asked why the depreciation seemed high. Mr. Witsell said that the depreciation on the club consisted of everything you see around including the Club building (valued around \$3 million). Mr. Witsell concluded that depreciation was a non cash loss.

Greg Loshak (11-16) asked what constituted the \$166,000 in additions to the Club's assets. Mr. Cannava responded that it included such additions as the hot tub refurbishment, the AMT machine in the gym, new water heater for the Club Building, GLR remodels, panel alarm upgrades, as well as server upgrades.

Kathy Lynn (10-22) asked why the amount of interest decreased if cash and cash equivalents increased by \$5 million. Mr. Cannava answered saying that a portion of the \$5 million was for the special assessment, and the interest income from that portion is allocated to the reserve fund rather than the operating fund.

Jerry Colten (09-02) asked how independent rental listing websites were affecting the Rental Operation. Mr. Colten asked if a portion of the expenses for the Association are transferred to the Rental Operation, and whether or not the Association would be able to

appreciation for 1 bedrooms was 13%, 2 bedrooms was 19%, 3 bedrooms was 14%, and year over year appreciation for townhomes was 20%. Mr. Ivy cited this as a good indicator of what is to come and credited the appreciation to the growing Denver market, as well as the good buzz within the real estate community about the successful special assessment projects.

Judy Schlesinger (13-09) asked how many one bedrooms sold during that time. (The numbers were 7 one bedrooms, 9 two bedrooms, 2 three bedrooms, 7 townhomes).

Mr. Ivy added that there had been low inventory all year long and it has been typical for units to go under contract within weeks of going on the market. Based on this, Mr. Ivy recommended that homeowners wishing to sell should aim high when pricing their units.

Recycling-

In relation to the Homeowner Survey Results, Mr. Ivy addressed the recycling program on property. Mr. Ivy reminded homeowners there is a dedicated recycling only dumpster shed near Building 13 in addition to small bins in each of the other dumpster sheds. Mr. Ivy explained that boxes must be broken down in order to keep the bins from filling up and asked that non-recyclables such as Styrofoam and plastic bags be thrown into the regular trash dumpsters. Mr. Ivy mentioned that pickups had been increased from 2 pickups to 3 pickups to help manage the amount of recycling on property.

Building 12 Infestation-

Mr. Ivy addressed the squirrel infestation in Building 12 and the subsequent damage. He said that it was obvious that someone had been feeding the squirrels because they found thousands of peanut shells in the nests inside the building. Mr. Ivy cautioned the homeowners that in addition to potential property damage it was both dangerous and illegal to feed wildlife.

In closing, Mr. Ivy thanked the homeowners on behalf of the staff and appreciated the opportunity to be at such an exceptional property.

Committee Reports:

Finance-

Mr. Witsell began by stating the fiscal year runs from June 1 through to May 31. He explained the advantage of the fiscal year is that it incorporates one full summer and winter season rather than splitting seasons. Mr. Witsell reiterated the clean review by EKS&H and added that the Association does a full audit once every 5 years. Mr. Witsell stated that the finances are in great shape. In particular, he highlighted that 72% of homeowners selected either the lump sum option or the annual payments option allowing the Association to move forward on the projects without any financial concerns.

Mr. Witsell mentioned that the rental operation had another great year. He stated we are behind last year's revenues numbers, but second best is still very good. Mr. Witsell explained the rental operation is a vital part of this Association as it helps subsidize a lot of the operations and services on property. Mr. Witsell mentioned rental revenue is

trending upward even with the independent online rental listing websites entering the market.

Mr. Witsell explained to the homeowners that there was an increase on the monthly operating assessments by 1.4%. He added that the recent increases have been tied directly to inflationary increases mostly in utilities such as water. Mr. Witsell summarized the reserve fund positions as currently healthy as well as the 10-year capital budget plan.

Lodging Operation -

Mr. Bradford opened the Rental Report by saying last fiscal year was the second best revenue year ever for the lodging operation. Mr. Bradford updated the homeowners that the rental operation offered a 4% rebate to all current rental operation participants on their regular rentals for last year. He noted the previous year was a 5% rebate and that the amount over and above 4% did not equal an additional 1% for a total of 5% so it went to the Bad Snow Year Reserve Fund. Mr. Bradford expounded on the Bad Snow Year Fund mentioning it has been at \$250,000 for the last few years, but the Board is working on increasing the amount to \$300,000. Mr. Bradford summarized the report by saying the addition this year to the fund was \$16,000.

Mr. Bradford informed the homeowners about the dynamic rates strategy, and attributed the success of the revenue to the staff at the Vail Racquet Club. He included that the rental operation is competing well against the Vail competition.

Mr. Bradford updated the homeowners on the “all white bedding look” transition and said it would be a slow process as the items are only being added as existing items wear out.

Mr. Bradford reiterated the interference the construction has had on the rental pool, explaining that 20% of the units were blocked during May and June, and 10% were blocked during July. Yet, the rental operation is successful under the circumstances.

Club-

Mr. Simpson opened the Club Report saying everything was good news for the Club. He cited an increase in the outside membership dues and guest fees as leading to increased revenues. Mr. Simpson mentioned the Board thought it would be a break even strategy and was pleased to see the better than anticipated numbers. Mr. Simpson explained how the strategy allowed the club to be less congested with outside guests which has created a better environment for the homeowners. He added that the Club has about 286 members during the summer and 300-315 during the winter.

Mr. Simpson credited management with keeping expenses down which allowed the Club operation to put \$81K into the HOA capital reserve this year.

Mr. Simpson detailed some of the new items for the Club and highlighted the new Pickleball court which has been very popular. He said the committee is monitoring its success for potential future growth.

Mr. Simpson also updated the homeowners on the Tennis Social. He reported that the crowd was multiple times bigger than ever before and concluded by saying the Club capital projects have been a great contribution to the HOA.

Building & Grounds Committee- Parking –

Mr. Ivy began the Building & Grounds Committee with a quick conversation about parking and mentioned that the total number of parking spaces was fewer than there are units. He reiterated the importance of displaying parking passes and provided helpful tips for applying the parking pass even in cold conditions.

Pets-

Mr. Ivy also added that the homeowner survey mentioned pets on property were a concern. He reiterated the importance of pet owners being courteous towards other people on property by keeping pets under control and by cleaning up after your dog.

Capital Projects-

Mr. Loftus reported on the projects financed by the special assessment and said they are off to a fantastic start with every project coming in on schedule and either at or under the overall budget. Mr. Loftus continued with a thorough presentation of each of the project's progress and budget numbers including the Building 12 Deck Project, the Tennis Courts, the Building 3 Deck Project, the Bike Storage, and the Phase 1 Townhome Exterior Project (F, J&K). He reviewed the initial bike storage plan saying that it would be on a first come, first serve basis with owners locking their own bikes and using a key pad code to enter the building. He added that he has been immensely pleased with the project work throughout the property.

Mr. Loftus then illustrated the timeline for the next projects including Building 5 Deck Project, Phase 2 Townhome Exterior Project (M,N,O,&P), and the start of the Natural Gas Fireplace Conversions.

Election of Directors:

Mr. Naiman, the Secretary, said there were 3 positions up for election, each for a 3-year term. He opened the election proceedings and asked for any nominations from the floor. Jerry Colten (0902) – said he had an interest and nominated himself. Nominations were closed.

Introductions of the Candidates-

David Cole (J-2), Jerry Colten (09-02), Greg Grotke (09-06), Leslie Levin (12-16), Richard Moothart (05-13) and Greg Simpson (06-01). Each candidate stood and introduced themselves to the meeting.

Vote-

Votes were cast and collected for tallying. Mr. Naiman asked for homeowner volunteers to help count the ballots.

Unfinished Business:

There was no unfinished business.

New Business:

The floor was open to the homeowners for questions.

Mr. Stevenson (12-02) asked if there is a damage deposit for short term guests when they stay at the Vail Racquet Club, and who is responsible for identifying when there may be damages. Mr. Ivy explained that there is not a cash deposit, but the guest provides the Front Desk with a pre-authorized credit card and signs the registration card providing the Association with authority to charge back any expenses for damage caused by their stay.

Mr. Ivy explained that in some cases the guests are understanding and in others they become hostile and threaten to write bad reviews on TripAdvisor etc. In that case, Mr. Ivy illustrated the procedure of the Lodging Operation to cover the costs of repair or replacement of the item. He said owners are responsible for wear and tear items, but in the case of damage he explained that the housekeepers are the first line of defense and each unit is also inspected after it has been cleaned. Mr. Ivy admitted that the challenge for the crew is that each unit is different so it is difficult to monitor each individual unit for items which might be stolen or broken and thrown away.

Ralph Christian (07-17) asked why his dues increased if the Association was in good shape financially. Mr. Witsell explained that the operating assessment is for monthly common expenses and only increased slightly due to inflation. He added that the reported surpluses were on the capital reserve side of things not on the operating.

Maureen Stevenson (12-02) mentioned she was grateful for the bike storage shed because many occupants near her unit use the space under the deck as bike parking. But, she was curious as to how the bike shed would be managed to prevent people from parking their bikes in front of her bedroom windows. Dr. Moothart mentioned that it would be first come first serve initially and there would be more information in the near future. Ms. Bortz added that it will take some time once the storage area is operational to dictate how best to manage the area and bikes on a long term basis.

Larry Dreyer (06-07) noticed new windows on Townhome F and asked if that was part of the scope of the project. Mr. Witsell explained that the capital assessment addressed the façade, and that those individual unit owners elected to replace their windows at their own expense. Mr. Dreyer then asked if the A Frame roofs on the bottom of the stair towers would be added on Building 6. Mr. Ivy confirmed that it is the plan to add those roofs during the deck replacements and should eventually be added.

BJ Meadows (L-4) asked if the timeline for the townhomes was set as presented and Mr. Ivy confirmed the timeline.

Annie Blattner (09-14) asked who made the decision to only offer 4% rather than 5% like last year. Mr. Bradford answered her question saying there were not enough funds to rebate an additional 1%. The operation was only \$16,000 over 4%, and the board elected to transfer that to the Reserve Fund.

Mrs. Turteltaub (06-02) asked how the 4% was computed. Mr. Bradford answered that the surplus total equaled an amount that was approximately 4% of the gross rental revenue and each participant then received an additional 4% on their regular rental nights.

Mr. Turteltaub (06-02) asked for a status update on the restaurant. Dr. Moothart reported that he and Mr. Ivy met with TJ Armstrong (Owner of Blu's) to talk about the contract and they were told the restaurant is having problems finding employees. He explained the overall problem stems from a valley-wide housing shortage and said the Association offered some of the Garden Level Rentals to help attract and retain some restaurant staff.

Andy Searls (O-4) asked if the townhome owners could get a package deal on extras such as windows and doors as a cost effective means to the improvement. Mr. Witsell said at present, homeowners have to work with the contractors directly and not through the Association. Mr. Witsell advised to plan a year in advance and Mr. Cole added that he could give the names of contractors afterwards. Mr. Ivy said that the Association will send a reminder to those townhome owners who will have their buildings done next year.

Charlie Stanzione (14-21) asked for Mr. Ivy to speak further about the inspection process and comments on TripAdvisor and admitted the root of his questions was the condition of some of his kitchenware in his unit. Sybill Navas (06-04) echoed Mr. Stanzione's sentiments. Mr. Ivy explained that the housekeepers do clean dishes left out and run and empty the dishwasher. However, if a dish is put away by a guest they do not inspect those after each clean. He further stated that all of the dishware is inspected twice a year during the spring and fall deep cleans. Mr. Ivy said regarding comments and ratings online, the Vail Racquet Club Mountain Resort average is very good at 4 stars yet a couple bad comments do arise. He also mentioned that some of the negative comments pertain to the Rental By Owner units as well which are a concern.

Carol Fricks (N-2) wanted to thank the Association for all of the hard work. She expounded that the property looks amazing, and she would not want to live anywhere else. She added a thank you to Iris and Steve and relayed her positive experiences. Ms. Fricks said she has been receiving offers to buy her unit from other people, and she keeps denying them because she loves being at the Vail Racquet Club so much.

Bud Meadows (L-4) asked about the Association's property insurance, specifically if the replacement cost was increased with the additions. He also asked if the deductible had changed or if the Association had done a study to propose a change. Mr. Cannava explained the cost has been increasing and said that it is reviewed and updated each year. Mr. Cannava explained that the deductible has been kept at \$5,000 with no added benefit for changing either higher or lower, but it is reevaluated each year as well.

Election Results:

Mr. Naiman reported that the homeowners elected to the Board of Directors are David Cole, Richard Moothart, and Gregory Simpson.

Dr. Moothart called for a vote to approve the actions of the Board Members over the past year. An owner from 12-09 motioned to approve the actions and John Snyder (05-15) seconded the motion. Homeowners present voted in favor to approve the actions of the Board over the previous year.

Adjournment:

Jerry Colten (09-02) motioned for the meeting to be adjourned and Patty Bortz (02-07) seconded and the motion passed. The meeting adjourned at 4:25 pm.