

THE ENCLAVE ASSOCIATION, INC.

**BOARD OF DIRECTORS MEETING- Draft-
October 5, 2017**

I. Call to Order

Mel Blumenthal, President of the Board, called the meeting to order at 10:36 A.M. MT on October 5, 2017. Mr. Blumenthal, Rhonda Weybright, Larry Garon, Lonnie Klein, John Henderson, and Oscar Novo were in attendance via conference phone. Glen Fisher joined the meeting, already in progress, at 10:56 A.M. SLC/Wyndham staff members Mike George-General Manager, Kevin Mize- Property Manager, Bill Anderson- V.P. of Operations- West Region, Chris Flynn- Finance Director of Western Region and Joe Zuena- Executive General Manager were also present at the Enclave or by phone.

II. Reading and Approval of Minutes

A. Approval of Minutes - Board meeting of October 7, 2016

The minutes of the prior budget meeting are posted on the website. Mr. Garon made a motion to waive the reading of the minutes of the October 7, 2016, Board meeting. Mr. Novo seconded, and the motion passed. Mr. Klein made a motion to amend the minutes of the meeting of the Board held on October 7, 2016, to note that the Board has changed its decision regarding the cumulative operating fund surplus, such that \$9,582 of the fiscal 2015/2016 operating fund surplus was approved to be transferred to the Reserve fund and allocated to the Development and Entitlement line item. Mr. Novo seconded, and the motion passed. Mr. Klein made a motion to approve of the amended minutes of the October 7, 2016, meeting. Mr. Novo seconded, and the motion passed.

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III. Report of the Officers

A. State of the Property / Grounds

1. Completed projects

Repaired snowmelt system on multiple occasions
Installed glycol feeder to snowmelt system
Repaired the arrival center boiler and heat system
Completed various repairs to the phone and internet systems that resulted from the siding and roof replacement project, including rewiring some external phone lines & external internet lines & equipment so they would be hidden or rerouted.
Replaced the nonstructural post between units 302 and 303 on the interior walkway
Expanded and changed the location of exterior holiday lights around the

grounds

Repaired or replaced multiple ski locker doors & locks

Surveyed the parking lot retaining walls

Repaired the commercial washers located at Chamonix

Repaired the fire alarm notification system at the arrival center

Completed the testing and inspecting of the fire suppression system and fire extinguishers, including replacement of those that had expired contents

Installed various directional and explanatory signs in common areas

Performed multiple repairs to bollard lights throughout the grounds

Repaired various front door locks

Replaced some light covers in the carports

Replaced the shopping cart

Replaced various CO detectors and smoke alarms throughout the property

Repaired the spa lights

Replaced the pool cover and the pool cover rope

Repaired and extended the pool cover roller

Cleaned the windows and chimneys

Sealed the pool deck

Replaced damaged stair treads & added steel edges to treads in the center stairway

Painted the fitness room

Painted stair treads near the east elevator

Replaced dead trees near pool mechanical room

Repaired roof for trapped condensation after roof replacement to include roof vents

Completed roof replacement, siding replacement, and dormer installations

Completed changes to hide exposed wiring and cabling at the exterior walls of the property

Replaced one spa motor

Checked and re-secured railings and caps throughout the property

Completed the elevator replacement project

Completed most of the crawl space restoration work

Repaired power source between pool mechanical and property main electrical power source at the east carports

Located and cleaned dryer vents in the crawl space

Repair west end of pool deck by sanding the affected area to create a smoother surface and resealing it to try to prevent further damage.

Install thin stone façade at the east end of the property, around EN100 and the 1 stack chimney that is visible on approach to the property from Wood Road.

Clean and reseal walkway near east elevator at the carport level

Refinish various benches around the property

Replace Electrical Room Doors at the East end of the Property.

2. Projects proposed or in process to be completed this fall/early winter

Repair second floor east elevator damage to Miracoat topical overlay
 Resolve remaining issues concerning dryer vent runs that terminate into the crawl space
 Add metal edging and repaint the remaining original stair treads on the east and west stair towers, to include replacement of damaged treads, as needed
 Gutter Installation Project- See gutter budget discussion

IV. Discussion of Officers whose terms are up this year

Mr. Blumenthal noted that Mr. Klein, Mr. Garon, Mr. Henderson, and Mr. Blumenthal complete their term as Board members this fiscal year. Mr. Blumenthal requested that management notify the entire membership of the up-coming board election in January 2018 via email and request that all interested candidates submit their biographies, qualifications, and any statement they wish to make at least one month prior to the annual meeting for distribution to the entire membership in advance of the annual meeting. Mr. Garon, Mr. Henderson, Mr. Blumenthal, Mr. Klein each indicated that an intent to run for re-election.

V. Old Business

A. Enclave Renovation/Redevelop Project Update

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Mr. Blumenthal advised that review of our Preliminary application was completed by the Planning commission in September with a positive recommendation to the Town Council. Review of the Preliminary application will commence on Oct 2nd with the Town Council. It's anticipated that two to three meetings will be required with the Town Council to complete its review. I anticipate completion by mid to late November. Mr. Blumenthal noted that a second meeting would be held on November 6, 2017.

The HOA is in its second of three planned years of special assessments to fund the combined soft cost expenses of both Phase I Renovation and Developer Entitlement. Through August 2017 the HOA has spent \$334,952 on these expenses, as noted below:

| | |
|---|------------------|
| Architecture | \$176,888 |
| Legal | \$83,788 |
| Engineering/3 rd Party Professionals | \$34,996 |
| Conference Calls | \$1,473 |
| Town of Snowmass Village Costs | \$23,842 |
| Tax Planning | \$8,086 |
| Management Company Costs | \$5,672 |
| Snowmass Water & Sanitation District | \$207 |
| Total | \$334,952 |

In terms of Entitlement soft costs alone, out of a combined approved budget of \$304,085, a total of \$178623 has been spent in this area. The breakdown of those

expense for Entitlement soft costs are listed below.

| | |
|---|------------------|
| Architecture | \$83,210 |
| Legal | \$49,393 |
| Engineering/3 rd Party Professionals | \$13,657 |
| Conference Calls | \$228 |
| Town of Snowmass Village Costs | \$23,842 |
| Tax Planning | \$8,086 |
| Snowmass Water & Sanitation District | \$207 |
| Total | \$178,623 |

Discussion of when and how to fund any net balance of expenses after assessments for the entitlement process will occur following a response from Jim Gustafson and Mike Hoffman concerning their estimation of expenses to the conclusion of the preliminary entitlement. The board discussed a strategy on bearing costs year over year regarding the special assessment for Phase I Renovation and Developer Entitlement (Special Assessment #3) soft costs.

B. Financial Review 2016-2017, Unaudited

Management forecasts that the Association will finish the year under budget by \$5,855.

(Discussion of Staff Incentive) Mr. Blumenthal noted that he was not recommending this incentive due to new staffing and management. Mr. Blumenthal proposed to reallocate above mentioned funds to the Roofs-Building line item.

Mr. Fisher made a motion to transfer any actual Operating Fund surplus, subject to any further year-end adjustments or external auditor review, to the Roofs- Buildings to be used towards the Gutter Project. Mrs. Weybright seconded, and the motion passed.

Balance Sheet – Owners are current.

Management recommends that the Board approve transferring at fiscal year end the net credit in the Reserve Fund for the Miscellaneous line item, currently \$158.59, to "Roofs-Buildings" line item, as the auditors recommend no Miscellaneous line item balance be retained in the Reserve Fund. The credit is created by Interest Income on Reserve Fund bank account balances and will be amended to show any further entries that are needed to complete the accounting for the fiscal year. Mr. Fisher made a motion to approve this recommendation. Mrs. Weybright seconded, and the motion passed.

Per the financial statements from Reese Henry, at year end of fiscal 2017, the Operating Fund had borrowed \$110,844 from the Reserve Fund. The HOA has an Insured Cash Sweep (ICS) source/target or parent /child banking account set up at Alpine Bank. Cash on hand over \$250K is automatically swept into the ICS account, and when the parent account balance falls below \$10K, cash from the ICS is

automatically swept back into the parent account. This can create an inter-fund loan.

Mr. Novo made a motion to approve the inter-fund loan. Mr. Fisher seconded, and the motion was approved.

Mr. Novo made a motion to accrue any unused amount remaining in the Paint and Stain – Deferral line item at fiscal year-end to the Reserve Fund Siding/Exterior Surfaces line item for use in future years. Mr. Fisher inquired as to the balance of that account and Mr. Mize informed Mr. Fisher that the balance of that account was approximately \$7500 at that time. Mrs. Weybright seconded, and the motion passed.

VI. New Business

A. Budget 2017-2018

The budget, including the impact of the prior year surplus, is presented with regular assessments increasing by 1%, or \$10,152. The prior year's budget was approved with a \$16,225 surplus from the 2015/2016 budget. The 2017/2018 budget does not have that surplus built in. The costs for the budget in fiscal year 2017/2018 is lower than that approved in the fiscal year 2016/2017 by \$5,392. The difference is \$10,833. Savings with the proposed change in interest income results in a proposed increase in assessments of \$10,152. Mr. Blumenthal asked what the current rent of the employee unit was and Mr. Mize informed Mr. Blumenthal that the rent was currently set at \$1200 monthly.

Operating and Reserve Funds – Proposals

Interest income is budgeted to decline, as we expect fewer owner assessment delinquencies and therefore lower interest income collections.

The General and Administrative Category is proposed to increase by \$3,682 over costs of the prior year. A request was made by Mr. Blumenthal that a full time maintenance person be staffed at The Enclave permanently. Billing for this person would still be charged on a consumption basis and that this staff member may be assigned elsewhere when needed.

Insurance - At \$28,932,504 property limit for Insurance purposes, the Association has average replacement coverage of roughly \$465 per sq. foot, based upon exterior square footages, and including the carports and the arrival center building. The insurance agent recommends a 3% increase for premium inflation, and he also recommends that the association consider increasing replacement coverage valuation by an additional 2%. Management proposed increasing the budget for an estimated premium cost increase of 5% for expected insurance rate inflation, only, as the Board must ultimately decide on whether or not to increase replacement limits and/or premium funding. The combined property limit for Enclave, Woodrun Place, and Chamonix is \$93,310,460.

The same recommendations were made last year from the Neil-Garing. While no change in coverage was made, we actually saw a decrease in premiums of \$1,499. The HOA pays the exact amount the insurer bills for premiums. After discussion the Board decided to amend the insurance budget to \$57,083 and move the excess funds (2854) from that line item to the Custodial line item.

Mr. Fisher made a motion to amend the budget as described above. Mr. Klein seconded, and the motion was approved.

Legal costs – Mr. Mize noted that the Board had approved undertaking a review of possible Americans with Disabilities Act physical plant needs in the prior year. Mr. George sent a request to Wyndham Vacation Rental (WVR) corporate staff requesting any information they have regarding this matter. WVR staff have advised that the HOA needs to seek opinions from its own counsel on this matter, and Mr. George subsequently contacted Mr. Hoffman at the request of Mr. Blumenthal. The board also started and then delayed a review of amendment language that would create a personal Guarantor for the payment of obligations of the unit owner to The Enclave Association, Inc. in those cases under which a party owns an Enclave unit in a Limited Liability Company (LLC), irrevocable or revocable trust, limited partnership, or any other entity that may not provide for a personal guarantee of payment for such obligations. The HOA awaits responses on these matters from its counsel. Recent attempts have been made to reach out to Mike Hoffman and obtain an update on these items. At this time, we have no further updates, as to the progress or lack thereof, on these two tasks.

Mr. Blumenthal led a discussion regarding the response from the HOA's legal counsel, Mike Hoffman, regarding the topic of LLC, irrevocable or revocable trusts, limited partnerships, or any other entity that may not provide for a personal guarantee. In addition, the board and management discussed ADA requirements for the property. Mr. Garon requested bullet points so he could review discrepancies between the current HOA declarations and CCIOA. Bill Anderson informed the group that he had similar experiences in the Vail area and would supply this information for review. Bill Anderson also informed the board that 25 Wyndham managers will be completing an eight hour continuing education seminar for their CAM licenses. An attorney that specializes in Kiowa will be attending that meeting and Mr. Anderson will ask specific questions about this topic and provide an update. 37

Taxes and Assessments, which are the costs of the Enclave assessments for the employee unit, are correspondingly flat and match the year over year budgeted line item.

The Utilities category is budgeted to increase by \$3,382, or 2% based on current world pricing. Electricity costs are budgeted to increase by 3.5% for inflation. Telephone costs are expected to increase by 5%. Gas is expected to decrease by 5%, as management staff is employing a strategy to turn off some of the boilers during each off-season. Water and Trash costs are both expected to increase by 10%. Cable costs for services are budgeted to increase by 5%. Volatility in the costs of Utilities continues to

make these expenses difficult to predict.

The Repairs & Maintenance Category, exclusive of Special Projects, is proposed to decrease by \$4,772, or 2%, over the prior year's category budget.

All line items except Window Cleaning are budgeted at expected actual costs for 2016/2017, except for nominal inflationary increases in Chimney Sweeping, Pest Control, Painting and Staining, Equipment Service Contracts, and Roof Repairs, and an anticipated decrease in Grounds costs of \$3,600. We have also proposed returning to twice yearly window cleanings at \$3,600 in expected costs per seasonal service.

Reserve Fund - Proposals

The Reserve Fund assessment will include what was planned to be the final year recovery of costs for the Development & Entitlement and Renovation Soft Costs (Special Assessment #3) in the amount of \$94,310. Entitlement cost overruns to date of \$32,337 are reduced to \$22,755, after attributing \$9,582 in prior year operating fund surpluses, as noted above in the Approval of Minutes.

After discussion, Mr. Klein made a motion to revisit the costs associated with Special Assessment #3 in the amount of \$94,310 during the March Homeowner's Association meeting when these costs are solidified. Mr. Fisher seconded, and the motion passed.

The Reserve Fund line items, as currently proposed, have updated entries for amounts and years of expected replacement, per the schedule. The Reserve should result in an increased balance at the end of the budget year from \$370,206 to \$561,229, less any unplanned costs that could be charged to this fund. The Arrival Center Reserve Fund is projected to be at \$90,691 by the end of the budget year.

Mr. Blumenthal commented that many ground floor owners had complained during fiscal 2016/2017 about water dripping onto their decks and the formation of icicles creating safety hazards as a result of roof line changes. Mr. Blumenthal worked with Alexander Roofing on proposals for solutions to these matters. Alexander Roofing has given a cost total of \$17,100, plus electrical costs of \$2,000. The proposed total for this project will be \$19,100 minus any actual budget surplus amount and the net credit in the Reserve Fund for the Miscellaneous line item. After discussion, the board decided to move forward with the installation of the gutter project and charge the net costs to the reserve fund. Mr. Klein made a motion to relabel the "Roof- Buildings" line item to "Roof- Buildings/Gutters" for the Reserve Fund and to charge the expense against this line item. Mr. Novo seconded, and the motion was passed. Mr. George noted that we may need to revisit this topic in the spring in regards to the installations of dry wells.

Mr. Blumenthal noted that the addition of thin stone veneer to the east side of the structure will cost \$84,870 and that the savings of \$82,151 achieved in the Phase 1 renovation will be used to pay for most of this project. Mr. Blumenthal proposes that the

remainder of the cost totaling \$2,719 will be charged to the Reserve Fund Siding/Exterior Surfaces line item. Mr. Fisher made a motion to charge \$2,719 to the Reserve Fund Siding/Exterior Surfaces line item. Mr. Novo seconded, and the motion passed.

Mr. Blumenthal noted that the remaining stairway treads around the property needed to have the addition of a metal leading edge added to the treads to increase the life span of the treads as well as for safety concerns. Bids for this project were reviewed by Mr. Blumenthal, and contractor, Damstra Building, LLC, with the lowest bid of \$10,500 was selected. Additionally, Collins Painting will repaint the stairwells at a cost of \$1,239. Mrs. Weybright made a motion to relabel the "Siding/Exterior Surfaces" line item to "Siding/Exterior Surfaces/Stairwells" for the Reserve Fund and to charge the expense against this line item. Mr. Klein seconded, and the motion was passed.

Mr. Mize noted that \$32,028 in funding is included in the Crawl Space line item, as the Board approved three years of funding at this amount beginning in 2016/2017 budget year. Remaining tasks for the project are to determine solutions for the sixteen dryer runs that vent into the crawl space currently. This line item budget is expected to have \$4,948, after all amortized assessments are levied by the end of fiscal year 2018/2019 available to resolve this last known remaining problem. Currently there are sixteen dryer vent runs that evacuate inside the crawlspace. This pushes warm, humid air into that area which can cause a variety of issues. Recommendations by Mark Burggraaf, a local engineer, are to have T&E Marshall install sixteen booster fans to push this air out through the over length dryer runs and evacuate these to external points. Costs associated with this project are currently proposed at \$20,100 plus electrical and concrete penetration costs, before any unknowns, which may be discovered while completing this project. The latter two costs are being quoted at this time, so full estimation of the costs are yet to be determined. Mrs. Weybright brought up the topic of "ventless stackable dryers" as a possible solution, and Mr. Blumenthal asked her to provide information regarding that topic. After discussion, the board decided to defer this decision until Mr. Mize could gather final costs for the completion of this project.

Mr. Novo made a motion to accept the proposed budget, as presented during the meeting, with regular (including reserve) assessments at \$874,480.32 (and inducement assessments at \$312,000). Mrs. Weybright seconded, and the motion passed.

Other Items

Proposed Reservations Fee – Management has proposed the institution of a 6.5% of rental revenue Reservation Fee upon all rental reservations with occupancies scheduled to arrival on or after May 1, 2018. Such a fee would align SLC by Wyndham properties with those fees charged within both the local and overall domestic vacation rental market. Concurrently upon the institution of the program, SLC by Wyndham will offer a \$500/bedroom annual rebate to participating and qualifying rental unit owners. Owners may use these rebates of between \$500 and \$2,000 per property in any

manner of the owner's choosing. For example, some owners may wish to use these proceeds to help defray the costs of wear and tear, replacement linens, replacement kitchen stock, carpet cleanings, etc. Others may simply want to enjoy the increased income. In order to earn these rebates, owners must participate in the rental program for the entire year, must limit winter and summer owner and/or owner guest seasonal use or blockage of rental bookings to no more than 42 days (6 weeks) within winter and summer seasons. Qualifying owners will receive these rebates in April of each year. Pro-rations of rebates will only occur for qualifying owners in the event of a unit sale and will be based upon days of ownership divided by number of days in the fiscal year beginning on May 1 and ending April 30 multiplied by \$500 per bedroom. Both Mr. Novo and Mrs. Weybright want to conduct a broader conversation with management on how rental business impacts the HOA's common area costs. Mr. Blumenthal requests management create a baseline to go back to review the prior cost structure before the increased number of rental units in the rental pool. Also, Mrs. Weybright requested a review of all expenses, including the use of drivers and vans for owner use vs. renter use. Mr. George outlined that the HOA is only paying a small portion of total shared costs between the other HOA's (Chamonix and Woodrun Place). Finally, Mr. Fisher requested information regarding the impact of rental operations to protect marketability of the resale of units.

After discussion Mr. Klein made a motion to approve the proposed reservations fee concept, subject to its subsequent consideration and anticipated approval by the boards of both Chamonix @ Woodrun and Woodrun Place. Mr. Henderson seconded, and the motion passed.

Marketing Plan Presentation – management staff then presented the marketing plan for the rental program, as per the requirements of the HOA management contract assignment. The Marketing Plan will be sent to the board, via e-mail, by Joe Zuena.

Date of Next Annual Meeting

The annual meeting is to be held on, Sunday, date March 11, 2018, at 3:30 PM MT.

VII. Adjournment

Enclave Board Executive Session- The decision was made by the board, based on time constraints, to move the Executive Session to a later date and time.

Mr. Fisher made a motion to adjourn the meeting, and Mr. Blumenthal seconded. The motion passed, and the meeting was adjourned at 1:03 P.M.

Respectfully submitted,

 *Oct 12/17*

Oscar Novo, Secretary