

THE ENCLAVE ASSOCIATION, INC.

BOARD OF DIRECTORS MEETING

October 02, 2019

1. Call to Order -

Mel Blumenthal, President of the Board, called the meeting to order at 1:00 P.M. MT on October 2, 2019. Mr. Garon, Mr. Fisher, Mr. Klein, Mr. Henderson, and Mr. Novo, Jr., were in attendance via conference phone. WVR staff members Mike George - General Manager, Paul Parkerson - Property Manager, and Bill Anderson - WVR VP Western US and Canada, also attended.

Non-board members also attending the meeting via conference call were as follows:

| Unit Owner Name   | Unit Owner #         |
|-------------------|----------------------|
| <b>St. Romain</b> | <b>204</b>           |
| <b>Barford</b>    | <b>208</b>           |
| <b>Patenaude</b>  | <b>212 &amp; 313</b> |
| <b>Handler</b>    | <b>213 &amp; 312</b> |

2. Proof of Notice of the Meeting -

The HOA members received an email Notice of Meeting and Agenda within the time frame allotted by the relevant statutes and the HOA bylaws.

3. Reading and Approval of Minutes -

Approval of Minutes - Board meeting of October 4, 2018

The minutes of the prior budget meeting are posted on the [www.slccassoc.com](http://www.slccassoc.com) website. Mr. Fisher made a motion to waive the reading of the minutes of the October 4, 2018, Board meeting. Mr. Klein seconded, and the motion passed. Mr. Fisher made a motion to approve of the minutes of the October 4, 2018, meeting. Mr. Klein seconded, and the motion passed.

Approval of Minutes - Board meeting of January 15, 2019

The minutes of the prior budget meeting are posted on the [www.slccassoc.com](http://www.slccassoc.com) website. Mr. Fisher made a motion to waive the reading of the minutes of the January 15, 2019, Board meeting. Mr. Klein seconded, and the motion passed. Mr. Fisher made a motion to approve of the minutes of the January 15, 2019, meeting. Mr. Klein seconded, and the motion passed.

#### 4. Report of the Officers -

##### State of the Property

##### Completed projects

- Boiler/Elevator Inspections
- Cleaned and repaired Industrial Washers and Dryers
- Repaired and tested tree lights
- Repaired problem heat tape
- Repaired lobby fireplace
- Repaired/replaced spa flow switch
- Identified and isolated three snowmelt leaks
- Repaired East carport light sensors
- Repaired boiler drains
- Repaired office boiler
- Repaired all damaged common area ballast lights
- Repaired/replaced ski area stair lights
- Repaired trellis near 107/bike room
- Repaired trellis covering the gas meters
- Repainted elevator exterior casings
- Rehung junction boxes outside of 103 and 104
- Built trellis and added new plantings to cover pool room exterior gas/water lines
- Sand and re-stain common area benches
- Sand and repaint top section of railings throughout the property

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

- Interior and exterior window cleanings
- Grout various cracks on the upper spa area
- Add a ramp to smooth out East pool area entrance
- Clear all gutters
- Clean chimneys
- Repair damaged walkway near 204, 212, and 310
- Repaint western facing wall outside of 101
- Repaint several damaged parking posts
- Repaint lower siding beneath East side center walkway stairs to 2<sup>nd</sup> and 3<sup>rd</sup> floor
- Repair wooden steps leading to ski area
- Replace failing chain posts that prevent skiers and boarders from accessing the top of the West carport – Staff will also request that the SkiCo add more signage to discourage trespassers
- Investigate the repair of pool lights

#### 5. Discussion of Officers whose terms are up this year -



Mr. Blumenthal noted that Mr. Novo, Jr., and Mrs. Weybright complete their terms as Board members this fiscal year. Mr. Blumenthal requested that management notify the entire membership in January 2020 of the up-coming board election 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. Novo, Jr., indicated his intent to run again for a position on the board. Mrs. Weybright indicated she did not intend to run again for a position on the Board.

Mr. Handler raised a question about the status of the acquisition of Wyndham Vacation Rentals by Vacasa. Mr. Anderson replied that he expected the acquisition to close in the short term, which is likely to be October 15, 2019, or November 1, 2019. Mr. Blumenthal asked that Vacasa be ready to discuss its transition processes, marketing, and general business plan.

#### 6. New Business -

##### a. Budget 2019-2020

#### Operating and Reserve Funds — Proposals

##### Operating Fund

##### Revenue

The regular assessments, including the reserve contribution component, are proposed to remain unchanged from those of fiscal 2018/2019. Detail discussions follow in the cost categories below.

Interest income is budgeted at 48.8% of the forecasted fiscal 2018/2019 total in the hope that more owners will pay assessments when due on a timely basis and thereby avoid interest charges.

##### General and Administrative

This Category is proposed to increase by 1.2%, or \$4,110.

Front Office Expense - In April 2019, WVR began staffing the Front Office (Guest Services) with seven (7) year round employees, versus the historical norm of one (1), in the off- and shoulder- seasons for all three properties in the co-op – Enclave, Woodrun Place, and Chamonix. In the summer of 2018, the opening of the Limelight Hotel in Snowmass exacerbated an already tight labor market for service staff. As a result, WVR wage rates for Guest Services hourly staff in 2018 were increased approximately 30% over those of the prior year. WVR proposes no budget increase this year for this partially subsidized Front Office Expense cost, despite the significantly

higher than historical expenses to WVR and the overall reduction in rental program participation at The Enclave from 21 to 15 units.

Insurance - At \$29,800,479 property limit for Insurance purposes, the Association has average replacement coverage of roughly \$479 per sq. foot, based upon exterior square footages, and including the carports and the arrival center building. The insurance agent recommends a 3% provisional increase for premium inflation, and he also recommends that the association consider increasing replacement coverage valuation by an additional 2%. With national tariffs and general inflation driving the costs of material up by 25%, or more, the insurance agency recommends that the Board consider this information in its decision to establish the replacement costs of the buildings. Management proposes increasing the budget for an estimated premium cost increase of 5%. 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 \$96,109,774. Mr. Garon made a motion to approve of the insurance line item budget, as described above. Mr. Fisher seconded, and the motion was approved.

4<sup>th</sup> Transportation Vehicle – after closely coordinating with Mr. Blumenthal, last winter management leased a large black transportation vehicle for the 2018/2019 winter season. Lease costs were approximately double our estimation provided to the Board during the prior year HOA budget meeting. WVR turned that vehicle back in to the leasing agent at the conclusion of the 18/19 winter season, and WVR provided a smaller minivan to substitute as our 4<sup>th</sup> Transportation vehicle during spring and summer of 2019. WVR is in the process of acquiring an ADA compliant Elkhart Coach ECII, which is expected to be available for use on property this fall to be the new 4<sup>th</sup> transportation vehicle. Mr. George received WVR correspondence on 9/16/19 advising that funds had been transferred to the dealership and will advise the board when the new vehicle is on property. Mr. George further reported that on September 19, 2019, he received confirmation from the dealer that the final paperwork had been signed. The new vehicle is expected to be on site in late October 2019. WVR proposes no budget increase this year for Vehicle Rental costs, despite the significantly higher than planned expense of the 4<sup>th</sup> transportation vehicle.

#### Utilities

The Utilities category is budgeted to increase by \$12,925, or 8.0%. Volatility in the costs of Utilities continues to make these expenses difficult to predict. Line items increases allow for inflation rates of between 3.0-10.0%, and only actual costs are billed to the HOA.

#### Repairs & Maintenance

The Repairs & Maintenance Category is proposed to decrease by \$8,549, or 2.6%, from the prior year's category budget.



Line items for R&M SLC, Pool, Firewood, Groundskeeping, Snow Removal, and Custodial Services are all proposed to change, as follows:

Hourly Housekeeping and Maintenance rates to be billed to the HOA and to the unit owners are proposed to increase from \$43.00/hour to \$44.00/hour, or 2.3%, to help align costs closer to market in light of shrinking rental inventory. Rental inventory over the co-op properties of CX, WP, and EN over the past two years has declined from 70 to 67 (64 actively renting, 3 have released no rental dates) actual participants, which creates budgetary pressure upon both the management company and the HOAs – only 54% of unit owners now rent within the WP/EN/CX co-op, despite the strong economic operating performance of the rental program relative to market. Enclave rental unit participation at present is 15 units or 39%. These hourly pricing changes for both the WPCA and Chamonix HOAs and their members have been approved at their recently held budget meetings, and implementation is dependent upon concurrent approval of and implementation by The Enclave Association, Inc. Management also proposes that the Skilled Hourly Maintenance rate be increased from \$50.00/hour to \$60.00/hour, so that management can increase the hourly rate it pays to staff for such work as concrete, non-paint drywall finishes, stucco, roof, and welding tasks. Management notes that most market contractor rates are between \$90-125/hour. Management further explained that the proposed increase from \$50.00/hour to \$60.00/hour would allow WVR to increase the pay rate for the in-house maintenance staff by \$7.00/hour, for these identified skilled work tasks, only – WVR would retain \$3/hour to pay for related overhead, as 30% of the proposed change should be adequate to cover the payroll taxes and employee benefit expenses to be borne by WVR that would be associated with this change.

Therefore, maintenance category line items with in house labor are each proposed to increase by 2.3%, as noted above.

Supplies are proposed to decrease by \$3,000, or 21.7%, as the HOA purchased replacement pool towel stock in fiscal 2018/2019 that should last for the next two budget years.

Firewood – Mr. Blumenthal commented that the HOA could further reduce common expenses by transferring the costs of Firewood to those owners who elect to burn it. After discussion the Board did not change the current process. Firewood will remain a common HOA expense.

Window Cleaning costs are budgeted to allow for 3.5% expected price inflation.

Chimney cleaning costs are budgeted to allow for cleaning of all chimneys, while actual costs are billed only for those that need cleaning upon inspection. As noted above, Mr. Blumenthal noted that each Unit has a single chimney and that some owners elect not to burn any firewood. After discussion the Board did not change the current process. Chimney cleaning will remain a common HOA expense.



Equipment Service Contracts are budgeted to allow for 3.0% expected price inflation.

Roof Repairs and Maintenance are budgeted to allow for the costs of one full roof snow removal and minor roof repairs. If a second full roof snow removal is required, as was needed during fiscal 2018/2019, the operating budget will likely have a corresponding deficit, which could amount to approximately \$12,000.

As with all other HOA costs, the HOA will only be billed for allocated expense items (Mgmt. Fees, Front Office, Vehicles, and Direct Office Expense), actual time, materials, fees, and expenses, as noted in the services addendum.

#### Reserve Fund – Proposals

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 \$568,427 to \$670,656, less any planned and unplanned costs that could be charged to this fund. The Arrival Center Reserve Fund is projected to be at \$96,356 by the start of the budget year and to finish at \$102,022.

Mr. Parkerson noted that, while \$22,294 remains allocated to Crawl Space line items within the Reserve Fund, the only bid management could secure to date for this work from T&E Marshall was retracted. Mr. Parkerson proposes an alternative solution for those affected Units that have electric dryers to use water trap termination vents for lint capture to be placed on top of the stackable appliances. Housekeeping staff will then need to clear these traps on a weekly basis for occupied units. The Board approved the testing of these traps, and management will test this relatively inexpensive alternate solution during the upcoming winter season.

#### b. Approval of Budget

Mr. Fisher made a motion to accept the proposed budget, as presented during the meeting, with regular (including reserve) assessments at \$948,578.48 (and inducement assessments at \$312,000, or \$8,000 average per unit). Mr. Garon seconded, and the motion passed.

Mr. Fisher made a motion to accept/amend the proposed services rates for the HOA and for members for housekeeping and maintenance, as noted above. Mr. Garon seconded, and the motion passed.

#### c. Rental Program (WVR Marketing Plan and Results Discussion – deferred until Vacasa/WVR pending deal is consummated)

Revenue per Available Unit (REVPAR) -

Overall WVR Snowmass Summer of 2019 gross rental revenue is pacing at \$552,666 as of September 27, 2019, versus \$645,040 as of September 27, 2018. Summer year over year revenues across the WVR Snowmass inventory are expected to be down by \$92,374 or 14.3%. Summer of 2019 Enclave (EN) gross rental revenue is pacing at \$166,405, as of September 27, 2019, versus \$123,259, as of September 27, 2018. EN summer year over year revenues are expected to be up \$43,146, or 35%, despite having 4 fewer rental units in inventory. Overall WVR rental revenue was expected to be down, as we do not have any similar replacement group bookings for the roof crew that stayed at WP last summer. This group accounted for \$226,700 in summer 2018 rental revenue.

WVR Snowmass winter 2019/2020 early rental revenue pace at \$2,107,808 overall versus last year at this point in time of \$1,887,026 is up 11.7% on 74 fewer booked nights and ADR growth of \$68.96, or 8.1%, to date. ADR for 2019/2020 pace is presently at \$922.05, and last year at this point in time it was \$853.08. EN is up 20.8% in early rental revenue pace on 54 more booked nights and ADR growth of \$74.07, or 9.9%, with REVPAR up 54%. However, the early gain in REVPAR will decline, somewhat, over the rest of the booking period for winter, as we have 6 fewer Enclave units this winter. Overall, we expect WVR Snowmass gross lodging revenue to decline year over year, as fewer units are expected to rent in 2019/2020 than in 2018/2019, despite continued superior performance to market. There are 67 actual participants in the rental program at present, versus 70 last year – WP 38, CX 12, and EN 17 – however, at present 2 EN and 1 WP unit have not released any dates for rental, so the effective current rental unit count is 64.

Here is a list of all the Snowmass properties that participate with the DestiMetrics program:

**SNOWMASS**

Crestwood Condo Hotel  
Destination Residences Snowmass  
Stonebridge Inn  
Interlude  
Laurelwood  
iTrip - Snowmass  
Limelight Hotel Snowmass  
Pokolodi Lodge  
Snowmass Lodging Company  
Snowmass Mountain Chalet  
Snowmass Mountain Lodging  
Snowmass Vacations  
The Viceroy  
Timberline Condominiums  
Westin Snowmass Resort  
Wildwood Snowmass Hotel

d. Discussion of proposed changes to the management contract between the HOA and WVR



The Enclave Association, Inc., and WVR, LLC., HOA Management Agreement proposed modifications of the assignment agreements for the WPCA, Chamonix, and The Enclave to address termination language changes was reviewed the Board. Mr. Henderson made a motion to accept the changes, as presented. Mr. Fisher seconded, and the motion passed.

e. HOA Accounting Software Replacement Strategy

Vacasa uses a program call Appfolio for these purposes. Installation is to occur prior to calendar year end per Chris Flynn, WVR Finance Manager.

f. Discussion of the EN110 Proposed Unit Modification

Mr. Blumenthal noted that the referenced unit owner had submitted plans and a description of the proposed work to modify this Unit. After discussion Mr. Fisher made a motion to approve of the proposed modification. Mr. Garon seconded, and the motion passed. Mr. Blumenthal requested that management have Mr. Hoffman draft an appropriate agreement between the HOA and the Unit owner to document the terms under which this Unit modification would be allowed.

g. Discussion of temporary employee unit use proposals

Employee housing – WP converted about a 1/3<sup>rd</sup> of its meeting room into a new exercise room last year. Management has approached Mark Kittle, TOSV Building Official, about converting the old WP exercise room into a temporary “bunk room” for staff. It has neither bathroom nor kitchen, but Mr. Kittle has approved of this use change, as did John Mele, TOSV Fire Marshal. WP has a similar nearby linen storage room – management can convert part of that into a second “bunk room.” Estimated costs are about \$15K – the required modifications are to cut two egress windows into concrete walls, add flooring, heat, expand and move fire sprinklers, and so on. The WP board has approved users to also use the changing rooms at the WP pool for bathrooms (they each have showers and toilet stalls), and the WP lobby has a commercial kitchen they can use for cooking, if needed.

WP has agreed to fund 50% of the conversion costs, and Chamonix has agreed to fund 20%. EN makes up 30% of the units – management asks that EN picks up 30% of the costs, if it can be done within the proposed EN operating budget under the R&M contractor line item.

| Units | Co-op ratio | Property | Present Emp Units            |
|-------|-------------|----------|------------------------------|
| 27    | 21.1%       | Chamonix | already provides 3 emp units |
| 39    | 30.5%       | Enclave  | already provides 1 emp units |
| 62    | 48.4%       | Woodrun  | already provides 6 emp units |



Also, a better use for the existing Enclave meeting room would be to ask the TOSV for the same thing – allow its use as a temporary “employee unit.” It already has a small kitchen and toilet, and two egresses, so it is almost a legal employee unit, in its present condition – it has no shower or bathing facilities. The HOA could bill \$500/month for it. So, EN could generate \$6K in revenue, versus renting the WP meeting room for the 2 or 3 Enclave, in-Village, HOA member and Board meetings it presently holds each year at a displacement cost of \$200/meeting to have those meetings offsite – the proposed change makes economic and use sense. The only loss to the HOA is that management would struggle to accommodate shipped luggage in the main lobby, but that would be a small trade off.

After discussion, Mr. Garon made a motion to approve/disapprove of the proposed employee unit and bunk room processes and expenses noted above. Mr. Klein seconded, and motion passed.

Date of Next Annual Meeting –

The annual meeting is proposed to be held on Sunday, March 15, 2020, at 3:30 MST.

#### 7. Old Business

##### a. Enclave Renovation/Redevelopment Project Update

The HOA recently completed collection of its Fiscal 2018/2019 special assessment amounting to \$95,065.65 to partially replenish the Reserve Fund for Project related soft costs.

Through September 2019 the HOA has spent \$506,198 on these cumulative expenses covering Phases I and II, as noted below:

|                                     |           |
|-------------------------------------|-----------|
| Architecture                        | \$277,768 |
| Legal                               | \$113,791 |
| Engineering & 3 <sup>rd</sup> Party |           |
| Professionals                       | \$51,030  |
| Conference Calls                    | \$2,023   |
| Town of Snowmass Village            | \$46,938  |
| Tax Planning                        | \$8,086   |
| SLC/WVR                             | \$5,672   |
| Snowmass Water &                    |           |
| Sanitation District                 | \$882     |
| Total                               | \$506,189 |

In terms of Entitlement (Phase II) soft costs, alone, a total of \$348,391 has been spent in this area. The breakdown of those expense for Entitlement soft costs are listed below.

|   |           |
|---|-----------|
| Architecture                            | \$184,091 |
| Legal                                   | \$77,926  |
| Engineering & 3 <sup>rd</sup> Party     |           |
| Professionals                           | \$29,691  |
| Conference Calls                        | \$778     |
| Town of Snowmass Village                | \$46,938  |
| Tax Planning                            | \$8,086   |
| SLC/WVR                                 | \$0       |
| Snowmass Water &<br>Sanitation District | \$882     |
| Total                                   | \$348,391 |

During the Enclave Board Meeting on January 15, 2019, the Board reviewed at length the future estimated costs anticipated to be incurred in order to obtain Final Approval from the Town of Snowmass Village for the development/redevelopment application. This cost was estimated at \$213,000. Mr. Garon proposed that the money for these proposed expenditures be borrowed from the Enclave HOA Reserve Fund. The money to be borrowed would be reimbursed via a three-year Special Assessment, which would commence at the start of the 2020/2021 fiscal year. Mrs. Weybright seconded this motion, and the motion was passed unanimously. The special assessment is to be split into three equal parts of \$71,000 per year.

The net amount remaining available to pay for any future Renovation and Entitlement costs is \$115,543, as September 15, 2019.

Mr. Handler asked for a review of what has been accomplished thus far regarding the Renovation/Redevelopment. Mr. Garon responded with the following:

"In January 2018, we received Preliminary Approval (PA) from the TOSV to develop approximately 12,000 square feet of residential units on the expansion parcel and to make certain improvements to our existing physical plant.

Given the ageing of The Enclave Physical Plant, we estimate that in the next several years we will be faced with capital expenditures necessary for rehabilitation. That being the case we have expended significant time and money to enhance the value of our expansion parcel through the entitlement process in an effort to provide the revenues needed with no or limited further assessments.

Since we received PA, the Board and negotiating committee have been working to identify a developer to utilize the entitlements and develop and sell the new units. Those new units would become part of our association.

We also consulted with our legal counsel, who has advised us on the format we would require in a Purchase and Sale and Development Agreement, our Tax Counsel as to



the tax consequences of a sale to a developer as well as Contractors to provide cost estimates for the needed remediation work and new construction to better enable our negotiations.

We have had numerous discussions and onsite meetings with potential developers and our architects in this effort. The Board created a Negotiating Committee (NC) chaired by Larry Garon, with Glen Fisher and Ronda Weybright as members. All three have significant land development and construction backgrounds.

We have had serious negotiations with 3 parties interested in moving forward. During that process we gained a better understanding as to the market value of our approvals, what a developer will pay for them and what type of risk developers are willing to undertake. We are considering various alternatives (value engineering) to reduce the costs of the work to rehabilitate our existing physical plant.

No developer has made a proposal to the NC which the members of the committee felt met the Enclave's minimum requirements. The NC will only recommend a proposal which meets those requirements. If such a proposal is received, the NC will pass it along to the Board. If the Board agrees with the NC's recommendation, the proposal will be submitted to the members of the Enclave for a vote.

We expect to continue negotiations in an effort to secure an agreement with a developer. But we cannot predict if that will occur, or when it may occur.

Since we must have our Final Approval (FA) plans submitted to the TOSV by Jan. 2, 2020, the Board has approved, based on the NC's recommendation, the Enclave Association immediately moving forward with an application to the TOSV for FA based on the PA."

b. Financial Review 2018-2019, Unaudited

Management forecasts that the Association will finish the year on budget.

(Discussion of Staff Incentive) – Mr. Blumenthal recommended that the Board consider approving a Staff Incentive of \$12,000, with 50% to be allocated to Paul Parkerson, and for the balance to be allocated between

Dennis Salehi  
Angel Ramos  
Isela Ramirez  
Jackie Goscha

To recognize their outstanding owner services to the owners and the HOA. Mr. Fisher made a motion to approve of this proposal. Mr. Novo, Jr. seconded, and the motion passed.



Although no surplus is presently projected, management recommends that the Board decides the disposition of any actual surplus to budget that may result via an approved motion.

Mr. Garon made a motion to transfer any actual Operating Fund surplus that may result, subject to any further year-end adjustments or external auditor review, to the Elevator Replacement line item. Mr. Klein seconded, and the motion passed.

Member Receivables — All Member receivable accounts are presently 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 \$200.91, to Spa Boiler Pump 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. Mr. Klein seconded, and the motion passed.


Per the financial statements from Reese Henry, at year end of fiscal 2017/2018, the Operating Fund had borrowed \$131,116 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. Fisher made a motion to approve the inter-fund loan. Mr. Garon seconded, and the motion was approved.

Mr. Garon made a motion to accrue any unused forecasted 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. Novo, Jr. seconded, and the motion passed.

#### 8. Adjournment

Mr. Fisher made a motion to adjourn the meeting, and Mr. Garon seconded. The motion passed, and the meeting was adjourned at 4:30 PM.

Respectfully submitted,

  
Lonnie Klein, Secretary