

## **THE ENCLAVE ASSOCIATION, INC.**

### **BOARD OF DIRECTORS MEETING September 26, 2008**

#### **I. Call to Order**

Mel Blumenthal, President of the Board, called the meeting to order at 8:30 A.M. on September 26, 2008. In attendance at The Enclave were Mel Blumenthal, Mike George, Larry Garon, Mikey and Marty Lustberg, and Joe Porcaro. Lonnie Klein, Oscar Novo, Ralph Barford, Ed Rimland, and Glen Fisher attended via conference call. Mr. Barford and Mr. Novo left the call at approximately 10:00 am.

#### **II. Reading and Approval of Minutes**

##### **A. Approval of Minutes - Board meeting of March 2, 2008**

Prior to the meeting Mr. Porcaro emailed another copy of the March 2, 2008, minutes to the members of the Board. Mr. Fisher made a motion to waive the reading of the minutes of the March 2, 2008, Board meeting. Mr. Garon seconded, and the motion passed. Mr. Fisher made a motion to approve the minutes of the meeting of the Board held on March 2, 2008, and Mr. Garon seconded. The motion passed.

Prior to the meeting Mr. Porcaro emailed another copy of the September 27, 2007, minutes to the members of the Board. Mr. Fisher made a motion to waive the reading of the minutes of the September 27, 2007, Board meeting. Mr. Garon seconded, and the motion passed. Mr. Fisher made a motion to approve the minutes of the meeting of the Board held on September 27, 2007, and Mr. Garon seconded. The motion passed.

#### **III. Report of the Officers**

##### **A. State of the Property / Grounds**

1. Completed projects
  - a. Replaced pool pump and a section of the spa piping
  - b. Replaced one of the snowmelt pumps
  - c. Repaired leak in water line under the building
  - d. Performed various minor boiler repairs
  - e. Repaired and painted the worst of the balcony railings
  - f. Performed miscellaneous siding repairs
  - g. Performed annual test and inspection on all fire extinguishers
  - h. Snow removal from roofs/ repaired minor interior damage
  - i. Replaced front door insulation on a unit by unit basis, as needed
  - j. Re-carpeted elevator cabs and luggage carts
  - k. Purchased new pool cover
  - l. Installed fluorescent bulbs in all grounds and walkway fixtures
  - m. Replaced photo cell for carport lights

2. Projects proposed to be completed this fall

- a. Seal exposed aggregate hardscape
- b. Paint the remainder of the balcony railings. Steel, wood caps, and ban board. Stain various siding sections
- c. Continue with railing repairs
- d. Consider pros and cons of re-keying all front doors and common areas - Board deferred consideration until next year
- e. Repair walkways where overlayment is failing, Joe to check and add patios to repair schedule, as needed

B. Trex Decking

Management posted a credit of \$336 to the assessment statement for 101 and charged the concrete replacement line item of the association budget in September of 2008. EN102 did not do a Trex deck last year, so a credit will not be posted until the owner does the work.

IV. Discussion of Officers whose terms are up this year

Mr. Blumenthal, Mr. Klein, Mr. Garon, and Dr. Word will complete their terms as Board members this year. All attending the meeting advised that they intend to run for reelection. Mr. Blumenthal requested that management give membership a minimum of ninety days advance notice of up-coming board elections via email and request that all candidates submit their bios, 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.

V. Old Business

A. Enclave Staff Incentive

The Board members discussed a draft proposal for an incentive program. At Mr. Fisher's recommendation the proposed program was amended to have the Board at its discretion set the percentage of any operating fund surplus to be contributed to the incentive program annually. The advantage of the concept is that an incentive is only triggered, when there is a fiscal year operating fund surplus. Mr. Klein made a motion to approve the staff incentive for the "07-08" fiscal year to be 50% of any audited operating fund surplus for that fiscal year. Mr. Novo seconded, and the motion passed.

B. Exploratory Discussions of Enclave Expansion/Renovation

Mike O'Connor and Bob Kaufman, local developers, joined the meeting at 9:05 am. Mr. O'Connor advised that his firm began its review of this project by starting with the design concepts of Centurion, the prior developer. His firm approached three different builders to assist with proforma budgeting and received some pricing information from two of them – PCL, Base Village general contractor; and R.A. Nelson. He has also incorporated information from a recent soils report.

Mr. O'Connor noted that the current lending environment was challenging. After the November local and national elections and the uncertainty from the current national lending

institutional problems are settled, the availability of construction financing will be decided.

R.A. Nelson did the most pricing work with Mr. O'Connor to date, and he expects to have a proposal available for Board review by the end of October 2008.

Pat Smith is one of his equity partners. Mr. Smith joins Mr. O'Connor's firm in a personal capacity, as opposed to either WestPac or Related Companies becoming an equity partner in this venture.

Mr. O'Connor had some questions about using the legal structure proposed by Centurion, and Mr. Blumenthal advised him that the Association had not vetted Centurion's proposed legal structure, yet. Mr. Blumenthal advised that Mr. O'Connor was free to propose amendments to this structure for the consideration of the Association Board.

Mr. Novo commented that the unstable national financial situation lent great uncertainty to the project. He asked about specific costs for the renovation portion of the project, and Mr. O'Connor advised that he expected to have that information available by the end of October 2008.

Mr. Garon advised that Snowmass/Aspen remains a unique niche market, relative to the national markets, in that there is no evidence of loan defaults or related excess real estate inventory at this time. He asked if Mr. O'Connor could comment upon the developer's expected sales pricing models. Mr. O'Connor advised that their target price at this time is \$1,900/sq. ft. He further commented that the next release of Base Village sales inventory, described as the Key Collection, is expected to be priced at \$2,800/sq ft.

#### C. Financial Review 2007-2008, Unaudited

Management forecasts that the Association will finish the year with an operating fund surplus of \$7,116. Management recommends that the Board consider an allocation of these funds (or an amended final surplus amount, pursuant to audit) in parts to the Renovation or Reserve Funds, or possibly to be used as an Incentive Fund to Snowmass Lodging Company.

Mr. Klein made a motion to allocate the audited operating fund surplus to:

Performance Incentives to Snowmass Lodging Company: 50% of audited amount

Renovation Fund: \$1,000

Reserve Fund: to receive the balance, allocated to pool and spa replacement equipment

Mr. Blumenthal seconded, and the motion passed.

Balance Sheet – No owners are currently delinquent on payment of assessments.

Management recommends that the Board approve transferring the estimated net credit in the Miscellaneous line item of the Reserve fund to Spa/Boiler Pump, 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. Mr. Garon made a motion to approve this recommendation. Mr. Novo seconded, and the motion

passed.

## VI. New Business

### A. Budget 2008-2009

#### Operating Fund – Proposals

The General and Administrative Category is budgeted to increase by \$138,237, or 44%.

SLC is faced with a problem from owners who rent their units without using SLC. The basic method owners are employing usually involves listing their units with various websites and booking rental guests into their units, while calling them owner guests. In one instance a Chamonix owner was using an outside rental agency. From fiscal year 2005-2006 forward, the Chamonix Board adopted a strategy that SLC proposed after discussing the matter with our attorney, Mike Hoffman. The strategy in broad terms is for SLC to offer an inducement through both a nonrental and a rental unit contract to all members of the Association. If an owner agrees to enter into one of these two contracts, then SLC issues that owner a credit on the SLC statement, based upon the specific terms contained within the contracts. Concurrent with offering these inducements through individual unit management contracts, SLC proposes a significantly higher annual Association management fee through the normal Association budgeting process - \$7,500 per unit on average. The economic impact, for each owner that enters into a unit contract with SLC, is zero. The rental contract is otherwise unchanged from its current form, and the nonrental contract does not compel an owner to buy anything from SLC. If a nonrental owner decides to purchase a service from SLC, it is based upon the same pricing structure that is already in place.

The economic impact, for owners who don't enter into one of the two unit management contracts is a significantly higher management fee, posted through the Association assessment. Both contracts block owners from using outside rental agencies.

There are now at least two Enclave owners actively renting through websites, and it is time to address the matter. The intent of the proposed change in processes is to provide owners with an economic incentive to rent through SLC and not to rent their units through websites or outside management companies, while SLC and the Associations have a shared cost structure for staffing and overhead. The Association Board has the responsibility to set the operating assessment for its Association, using its best business judgment, and SLC has a right to enter into unit management contracts with each individual owner.

At Mr. Blumenthal's request, SLC enquired with the Crestwood (CW) and Village Property Management (VPM), as to how these local competitors address the issue. VPM has unit management contracts for both rental and nonrental units, and the contracts have language that disallow owners from renting their units in either circumstance, except through VPM. Crestwood allows the practice, and has levied a 7% surcharge upon owners who have decided to rent outside of the CW management program. The CW manager further advised that he has approached the Town of Snowmass Village about the failure of unit owners and website-based outside rental management companies to collect and remit sales taxes. The CW manager will continue to review his Association's internal processes, and he commented that the SLC proposal is consistent with what Woodrun V does.

Mr. George of SLC noted that the management fee billed for 2007-2008, relative to the human resources provided in return for that management fee, is not adequate to provide a profit to any management company.

After discussion with Mike Hoffman, Association attorney, the Board decided, using its best business judgment and after careful consideration of the economics, to institute the program in May of 2008. The program will be instituted on a prorata basis, using 5/12 of the amount proposed by SLC, as five months remain in the fiscal year calendar between May and September.

At \$28,089,810 property limit for Insurance purposes, the Association has average replacement coverage of roughly \$445.87 per foot, based upon exterior square footages, and including the carports and the arrival center building. Insurance is budgeted to anticipate a 10% increase for a 5% increase in replacement cost premium. Accounting and Audit expenses are budgeted not to increase. Depreciation is adjusted to the current asset schedule per Reese Henry. SLC has requested an increase in Vehicle Rental cost reimbursements of \$2,339, or 15%, for the year to help offset the recent increases in gasoline prices and the high costs of vehicle maintenance. SLC has further requested an increase in Management Fees of \$3,091 to offset proposed increases in staff wages and benefits costs, and an additional \$7,500 per unit in general fees.

The Utilities category is budgeted to increase by \$6,945, or 5%. Electricity and Gas costs are expected to increase by 4-5%. Other utility category line costs – Telephone Service, Water & Sewer, Cable TV, and Trash - are budgeted to increase by 5-10%. Volatility in the costs of energy continues to make these expenses difficult to predict.

The Repairs and Maintenance Category, excluding special projects, is budgeted to increase by 4%, or \$8,687, primarily to allow for 2 hours of weekly unit safety checks and nonspecific R&M Contractor Repairs, with other R&M line item proposed changes offsetting.

#### Reserve Fund

The reserve fund line items have not been updated from last year, as management understands that a redevelopment/renovation program is still under consideration.

#### Summary

Mr. Klein made a motion to accept the amended proposed budget, as revised during and the meeting, at \$760,150.57. Mr. Blumenthal seconded, and the motion passed.

Mr. Klein made a motion to assess an additional management fee in May 2008 of \$121,875.06 to institute the program discussed in section VI of these minutes. Mr. Blumenthal seconded, and the motion passed.

### VII. Other Items

#### A. Date of Next Annual Meeting

By vote the members established the month of the annual meeting to be in March of each year. The annual meeting is set for 4:00 PM on March 1, 2009.

VIII. Adjournment

Mr. Klein made a motion to adjourn the meeting, and Mr. Garon seconded. The motion passed, and the meeting was adjourned at 1:00 PM.

The Directors unanimously consent to the actions the Board has taken, as are herein described in these minutes:

_____ Mel Blumenthal	Date _____	_____ Larry Garon	Date _____
_____ Lonnie Klein	Date _____	_____ Max Word	Date _____
_____ Oscar Novo	Date _____	_____ Stuart Kaufman	Date _____
_____ Glen Fisher	Date _____		

Respectfully submitted,

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Oscar Novo, Secretary