

THE ENCLAVE ASSOCIATION, INC.

BOARD OF DIRECTORS MEETING September 29, 2014

I. Call to Order

Mel Blumenthal, President of the Board, called the meeting to order at 9:30 AM MT on September 29, 2014. Mr. Blumenthal was in attendance at the property, and Larry Garon, Stuart Kaufman, Lonnie Klein, John Henderson, and Glen Fisher were in attendance via conference phone. SLC staff members Mike George, Joe Porcaro, and John Warner were also present and participated in the meeting at the Enclave.

II. Reading and Approval of Minutes

A. Approval of Minutes - Board meeting of October 16, 2013

Prior to the meeting Mr. Porcaro emailed another copy of the October 13, 2013, minutes to the members of the Board. Mr. Kaufman made a motion to waive the reading of the minutes of the October 13, 2013, Board meeting. Mr. Fisher seconded, and the motion passed. Mr. Garon made a motion to approve the minutes of the meeting of the Board held on October 13, 2013, and Mr. Fisher seconded. The motion passed.

III. Report of the Officers

A. State of the Property / Grounds

1. Completed projects

- a. Replaced concrete caulking in driveway areas
- b. Repaired grouting on the pool deck coping stones
- c. Repaired/replaced walkways per engineer's recommendations
- d. Completed most repairs to concrete overlayment
- e. Completed remaining crawl space repairs
- f. Instituted crawl space monitoring program per engineer's recommendations
- g. Performed annual test and inspection on all fire extinguishers and the fire alarm system
- h. Annual elevator test and inspections
- i. Performed roof inspection
- j. Replaced exercise room carpet
- k. Obtained conceptual plan for east walkway entrance improvements
- l. Repaired office and meeting room boiler
- m. Repaired snowmelt boiler
- n. Replaced elevator carpets
- o. Investigated snowmelt leaks
- p. Replaced one failed window pane
- q. Repaired multiple plumbing leaks at crawl space and pool mechanical room
- r. Replaced bad roof heat tape runs
- s. Installed temporary crawl space lights
- t. Replaced exercise room floor tile and toilet

- u. Repaired common area washer
- v. Repaired cable runs with weak signals
- w. Repaired ski locker doors
- x. Replaced storage doors
- y. Repaired plumbing leaks
- z. Replaced the spa cover
- aa. Repaired spa heater
- bb. Power washed and resealed aggregate at pool and hot tub levels
- cc. Installed new flower/planting beds at East side of property

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

- a. Complete remaining overlayment repairs
- b. Complete roof repairs
- c. Continue to monitor snowmelt leak by east end of property
- d. Monitor Decks and Balconies structural conditions
- e. Monitor Crawl Space conditions
- f. Install chain link fences in both elevator rooms to meet code
- g. Complete touch up painting/staining in common areas
- h. Retaining wall monitoring
- i. Limited wall and railing paint/stain section samples

IV. Discussion of Officers whose terms are up this year

Mr. Blumenthal, Mr. Klein, Mr. Garon, and Mr. Henderson complete their terms as Board members in March 2015. Mr. Blumenthal requested that management give the entire membership a minimum of ninety days advance notice of the up-coming board election in March 2015 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.

V. Old Business

A. Enclave Expansion/Renovation Plans –

- a. Paint/Stain program – Z-Group Architects staff, Seth Hmielowski, Jim Gustafson, and Melanie Noonan joined the meeting at 10:00 am. Mr. Blumenthal noted that the architect has distributed schematics in various color schemes, prior to the meeting. Mr. Blumenthal noted that management has advised it is time to paint/stain the interior courtyard walls of the property. The Board has deferred that work for now in order to consider architectural concepts for changing the color scheme of the property. After extended discussion, the Board selected 1 unit stack to be painted/stained in one scheme (rust) and the 2 unit stack (green) in a second. The architects will provide paint/stain specs for Board review. Management staff will bid the work and have it done before winter, weather dependent.

B. Redevelopment concept –

- a. Andrew Light and Garrett Reuss joined the meeting at 10:00 am to discuss redevelopment of the property. Mr. Blumenthal noted that talking points had been distributed prior to the meeting.

C. Unit Modification Process

- a. Mr. Garon asked that management circulate the agreements currently in use by Chamonix and Woodrun Place to the Board.

Financial Review 2013-2014, Unaudited

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

Enclave Staff Incentive - The Board, in a previous year, instituted an incentive program for SLC staff. The Board at its discretion on an annual basis sets the percentage or amount of any Operating Fund surplus to be contributed to the incentive program. After review Mr. Kaufman made a motion to approve setting aside the first \$2,000 of any cumulative Operating Fund surplus after auditor review for incentives to SLC staff, should any such savings be realized. Surplus amounts between \$2,000 and \$4000 would be allocated to the Reserve fund. For amounts over \$4,000, the allocation would be 50% staff incentives and 50% to the Reserve Fund only with an approved new motion of the Board. Mr. Klein seconded, and the motion passed.

Mr. Blumenthal made a motion to retain the actual remainder of any cumulative Operating Fund surplus within the Operating Fund after calculations for any staff incentives noted above, subject to any year-end adjustments resulting from auditor review. Mr. Klein seconded, and the motion passed.

Balance Sheet – All unit owners are current on assessment receivables as of the date of this meeting.

Management recommends that the Board approve transferring at fiscal year end the net credit in the Reserve Fund for the Miscellaneous line item, currently \$144.87, to the Spa Boiler Pump Replacement 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 September entries that are needed to complete the accounting for the fiscal year. Mr. Blumenthal 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 2013, the Operating Fund had borrowed \$427,644 from the Reserve Fund. Management had redeemed CDARS investments into the Operating Fund bank account in anticipation of payments for both the crawl space and walkways projects that were not funded until fiscal 2013-2014. Mr. Klein made a motion to approve the inter-fund loan. Mr. Blumenthal seconded, and the motion was approved.

Mr. Klein made a motion to accrue any unused amount remaining in the Paint and Stain – Deferral line item to the Reserve Fund Siding/Exterior Surfaces line item to be used for exterior

staining and painting in future years. Mr. Blumenthal seconded, and the motion passed.

VI. New Business

A. Budget 2014-2015

Operating and Reserve Funds – Proposals

Management proposes that the fiscal 2014-2015 Reserve Fund budget increase by \$112,843 to include the recovery of costs for the Crawl Space (Special Assessment), Predevelopment Studies, and the Walkways and Balconies (Special Assessment) projects. Management proposes that the Operating Fund component of the assessments increase by \$73,326, or 9%.

Non-assessment Revenue lines are budgeted as flat to prior year projected totals.

The General and Administrative Category is budgeted to increase by \$13,821, or 4%.

At \$28,089,810 property limit for Insurance purposes, the Association has average replacement coverage of roughly \$445.87 per sq foot, based upon exterior square footages, and including the carports and the arrival center building. The insurance agent recommends a 5.0% increase for premium inflation, and he also recommends that the association consider increasing replacement coverage valuation by an additional 5.0%. He will provide incremental replacement cost premium pricing, when available, for three options - no change, 2.0% increase, and a 5.0% increase in replacement cost values. At this time management has proposed no valuation increase, but setting replacement cost is ultimately a board decision. Management has increased the estimated premium by 5% for expected insurance rate inflation, only. The combined property limit for Enclave, Woodrun Place, and Chamonix is \$91,736,099. Insurance expenses are, therefore, budgeted to increase by \$2,811. After discussion the Board decided to leave the replacement cost unchanged.

Legal costs are proposed to increase by \$2,671 to \$5,000 to pay for anticipated expenses to complete a member-wide voting process for a possible Declaration amendment. The board has initiated 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 trust, limited partnership, or any other entity that may not provide for a personal guarantee of payment for such obligations. Mr. George will forward the attorney's recommendations for declaration changes and a revised collection policy to the Board after the meeting.

Taxes and Assessments, which are the costs of the Enclave assessments for the employee unit, are correspondingly increased to match the overall percentage increase in the budgets.

Vehicle Rental, which includes the costs of fuel, repairs, and maintenance, is budgeted to remain flat, as the inflation rate for national fuel costs rose only 0.1% year over year. SLC has replaced two of its vans this year at an average acquisition cost of approximately \$51,000 each. As an option, SLC can increase its vehicle fleet to four from three. The allocated additional cost, not currently in the proposed budget, would be \$6,594 for the Enclave. A fourth vehicle would allow SLC to take one vehicle out of service rotation for cleaning and repairs, but it would remain unused for most of the fiscal year. After discussion, Mr. Klein made a motion to include

the cost of a fourth van into the operating budget, dependent also upon Woodrun Place and Chamonix also approving their allocable shares of this cost. Mr. Blumenthal seconded, and the motion passed. If the other noted associations do not approve of adding a fourth vehicle, the budget will be adjusted and assessments modified on the January billings.

Internet support costs are budgeted to increase by 3% for general inflation and age of equipment.

The Utilities category is budgeted to increase by \$13,396, or 11%. Electricity and Telephone costs are expected to increase by 3.0%. Gas is expected to increase by 3.5%, and Water is expected to increase by 50%. During fiscal 2013-2014, management corrected a mistaken consumption accrual that lowered costs one time in that fiscal year. Costs should return to more historical norms in fiscal 2014-2015. Trash costs are expected to increase by 10%. Volatility in the costs of Utilities continues to make these expenses difficult to predict.

The Repairs and Maintenance Category is budgeted to increase by 10%, or \$25,609. SLC proposes adding 2 shifts per week to the overall category to increase staff coverage for the needs of the aging structures. The \$15,000 amount added to this line item accounts for the costs of approximately 7.5 billable hours (1 shift) per week.

Management has added \$2,900 for the proposed engineer costs for continued structural review of the Balconies and Walkways to R&M Contractor expenses, partially offset by assumed reductions of \$2,000 in the need for subcontractor common area repairs. At present management has not added any further costs for engineering or survey work for the retaining walls to the south side of the parking garages and awaits Board direction on this matter. The Board directed that management add \$2,500 to the budget for R&M Contractor expenses to measure and monitor for retaining wall movement at the parking bays.

Management deferred on Chimney Cleaning until October of 2014, and the budget reflects that timing, showing no costs in fiscal 2013-2014, but one annual cleaning in the budget year.

Paint/Stain Deferral – The budget is set at \$24,000 annually, either planned to be used in the budget year, or to be transferred to the reserve fund for future Paint/Stain uses, as needed.

Grounds – The budget includes a provision for \$5,000 in new plantings and maintenance on the property, and to split the costs of reshaping the berm on Assay Hill at the approximate property line between forest service and Related land to allow for easier access to the Assay Hill chairlift from the east end of the property.

Equipment Service Contracts are budgeted to increase by 3% for inflation.

Roof Repairs are budgeted to increase for more frequent inspections, per the recommendation of the roofing consultant.

Reserve Fund - Proposals

The Reserve Fund line items, as currently proposed, have some 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 \$468,993 to \$680,847. The Arrival Center

Reserve Fund is projected to be at \$74,227 by the end of the budget year.

The Crawl space project is nearing completion, with only the installation of some washed gravel over any remaining damp surfaces areas left to complete. Mr. Blumenthal made a motion to approve of the proposed Special Assessment of \$71,538.94 to pay for the second of three annual installments of the costs of the crawl space project and to concurrently replenish the Reserve Fund. Mr. Klein seconded, and the motion passed.

The Decks and Balconies project is also nearing completion, with concrete work on the 102 walkway completed, leaving concrete overlayment on that section and various other sections still to be completed this fall. Mr. Blumenthal made a motion to approve of the proposed Special Assessment of \$101,888.15 to pay for the first of three annual installments of the costs of the walkways and balconies project and to concurrently replenish the Reserve Fund. Mr. Klein seconded, and the motion passed.

Inducement Management Fee

Management advised that the current program of billing \$7,500 in inducement fees on average since approximately 2009 over units at Chamonix, Woodrun Place, and The Enclave has largely been successful. However, costs have inflated since 2009, and management proposes increasing this per unit average fee to \$8,000 from \$7,500. For unit owners that hire SLC – 95% participation – SLC will issue new unit management contracts with larger average inducements of \$8,000, so that there is no economic impact to these owners.

Mr. Henderson made a motion to accept the proposed budget, as presented/revised during the meeting, with regular assessments at \$857,482.83 (and inducement assessments at \$312,000). Mr. Blumenthal seconded, and the motion passed.

VII. Other Items

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 MT on March 8, 2015.

VIII. Adjournment

Mr. Blumenthal made a motion to adjourn the meeting, and Mr. Kaufman seconded. The motion passed, and the meeting was adjourned at 1:06 P.M.

Respectfully submitted,

Oscar Novo, Secretary