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THE KEYSTONE NEIGHBOURHOOD COMPANY
ANNUAL MEMBERS MEETING
NOVEMBER 17, 2001

I. Call the Meeting to Order

The Keystone Neighbourhood Company Annual Members' meeting was called to order at 3:10 p.m. by Mr. John Rutter on Saturday, November 17, 2001 in the Ten Mile Room at the Keystone Lodge.

Board Members Present Were:

John Rutter, Vice President, Resort Director
Kevin Kelley, Secretary, At Large Director
Bill Pell, At large Residential Director
Doug Sims, Ski Tip Residential Director
John Boyd, River Run Residential Director
Bob Oliva, At Large, Commercial Director
Tim Patterson, Lodge Director
Don McCoy, River Run Commercial Director

Representing the Keystone Neighbourhood Company Were:

Connie Gruber, Executive Director
Molly Speer, Operations Manager
Heidi Stenhammer, Office Manager
Karen Fischer, Office Administrator

Homeowners Present Were:

For a list of the Homeowners, please contact the [KNC](#)

Representing Keystone Property Management Were:

Luke Slottow, Director of Property Management
Jeff Steele, Senior Property Manager
Chris Love, Senior Property Manager
Jeff Penette, Property Manager
Patt Reyes, Property Manager
Debi Cohen, Assistant Manager

Others Present Were:

Mike O'Connor, Keystone Real Estate Developments
Margie Bootenhoff, Keystone Resort Marketing
Doug Pierce, Keystone Resort Food and Beverage

II. Approve Previous Meeting Minutes

A motion was made to approve the previous meeting minutes dated July 2, 2001, as presented. The motion was seconded and carried unanimously.

III. President's Address

Introduction of Executive Board

Mr. Rutter introduced himself as the Chief Operating Officer of Keystone Resort and Vice President of the Keystone Neighbourhood Company Executive Board. He noted that the Board President, Paul Stashick was unable to attend this meeting due to a last minute change in travel plans.

The Board also consists of three Homeowner seats which are currently held by John Boyd, Bill Pell and Doug Sims. The remaining four positions are Declarant controlled and consist of two commercial seats which are held by Bob Oliva an employee of Vail Resorts and Don McCoy a merchant in River Run; one seat held by our attorney Kevin Kelley who is the Secretary and the final seat held by Tim Patterson who is the Lodge Director and is employed by Vail Resorts.

Introduction of New Executive Director

Mr. Rutter introduced Mrs. Connie Gruber, the new Neighbourhood Company Executive Director. The previous Director, Katy Syko, relocated to Sandestin Resort in Florida to start up its village association. Ms. Gruber went through a rigorous interview process and quickly rose to the top of the seventeen candidates. She has been a second Homeowner at Keystone since 1993 and has 18 years of sales and marketing experience. She has managed budgets in excess of 10 million dollars and her past experience will help generate more revenue for the Neighbourhood Company.

Election and Voting Update

Mr. Rutter explained that the Neighbourhood Company has 106 new Members since the last meeting. He reviewed Neighbourhood Company territory which now extends from River Run east to Ski Tip, Trappers Crossing and the newest Settlers Creek neighborhood.

Currently the developer holds 39% of Neighbourhood Company votes, the Resort holds 33% and the Homeowners hold 28%. As additional territory is developed under the Planned Unit Development and is sold to Homeowners, the Homeowner voting percentage will increase and the developer percentage will decrease.

The two Residential Director positions currently held by Homeowners are up for election today and both members are running for reelection unopposed.

Commercial Update

Mr. Rutter explained that in the year 2000 there was approximately 55,000 square feet of leased commercial space for 60% occupancy. In the year 2001 there was 73,684 square feet of leased commercial space for 80% occupancy. The process of leasing space in River Run went slower than originally anticipated however good progress is being made.

IV. Finance Committee Report

Ms. Gruber gave a brief introduction of herself prior to presenting the financial information. She expressed her happiness in her new position and conveyed three main goals in her new career which are to manage finances responsibly, increase rentals and increase property values within the Neighbourhoods at Keystone. She would like to improve the community at Keystone and is open to Homeowner input for ways to accomplish that goal. She would be interested in learning of Homeowner business affiliations that could potentially bring value to the Neighbourhood Company.

2001 Year-End Projections

Ms. Gruber briefly explained year-end projections for December 31, 2001. Revenue is currently projected to end the year at 84% of budget or \$2,940,847. This reduction in revenue is due to a downturn in the market with fewer units being sold than anticipated. The revenue budgeted but not yet received for 2001 will be carried into the 2002 budget as those units should sell next year.

Expenses are projected to be at 99% of budget and allocations to reserves at 62%. Ms. Gruber opened the floor for questions and none were presented.

2002 Budget

Revenue for 2002 totals \$2,377,223 which represents a reduction from 2001 of 19% due to reduced new development. Expenses total \$2,191,969 which represents a 19% increase. Of the total expenses 62% is allocated for operational expenses, 22% is for Special Events and 16% for General and Administration.

There are three reserve funds consisting of Community Improvements, Facilities and Capital Reserve. Zero dollars are budgeted to be allocated into the Community Capital Reserve Fund which is used for the repair and maintenance of existing Neighbourhood Company property. The reserve fund study will be updated in 2002 which will detail the recommended level of funding for this account. The Facilities Reserve Fund has \$95,483 in budgeted allocations which represents 10% of the budgeted Annual Real Estate Assessment and is required by Neighbourhood Company documents. Finally, \$89,771 is budgeted to be allocated to the Improvements Reserve Fund of which those funds are used for new improvements such as public furniture, mini-parks, signage, etc.

Ms. Gruber detailed some notable expense line items such as the proposed \$151,000 addition to special events specifically earmarked for programming of the performing arts tent. An additional \$250,000 is proposed to be expended from the Improvements Reserve Fund to purchase a performing arts tent to be placed somewhere in River Run from May through September to increase traffic, energy and rental nights.

Ms. Gruber opened the floor for questions.

Increase in Expenses

She was asked to explain the increase in expenses for 2002. It was explained that this increase was due to the addition of new areas into Neighbourhood Company territory including Settlers Creek and The Springs, the need for additional event programming and the

increase in utility costs.

Red Hawk Townhome Services

A Red Hawk Townhome Homeowner inquired as to why the Neighbourhood Company does not provide the same level of services to their gated community as they do for the Red Hawk Lodge or other Neighbourhood Company properties which are not gated. It was noted that under the Colorado Common Interest Ownership Act, the Neighbourhood Company should not maintain private property behind a gate if it desires to obtain 501 (C) (4) tax status.

Performing Arts Tent

Homeowners raised concerns about the Performing Arts Tent. A discussion ensued regarding cost, revenue, room nights and programming. The Board indicated that programming can not move forward without the actual venue in place. It was determined that purchase of the tent should move forward with a complete report provided to Homeowners after one season of operations.

A Homeowner inquired about the impact to the budget when RETA revenues decrease as development slows.

Mr. Sims responded that the Finance Committee and the Executive Board has spent a significant amount of time discussing this issue. During the 2001 budget process, the Board recommended and the Homeowners approved an increase in the mill levy from 10 to 20 mills in an effort to have funds available to put into reserves and to cover potential operational deficits. The year 2002 is projected to be the leanest year since the Neighbourhood Company's inception which is why the Board budgeted a surplus of \$215,083 for 2001 to be carried forward into 2002 while still adding \$185,254 into reserve funds.

Mrs. Syko completed a disaster or contingency plan earlier this year which explored the potential financial status of the Neighbourhood Company in the worst case market scenario. This analysis reflected that the Neighbourhood Company could still survive but with significantly reduced services and staff based on a bare-bones budget.

The Board recently decided to complete a three to five year cash flow analysis in house since projecting out the next ten years is not realistic at this time.

Budget Vote

The budget vote commenced and the 2002 operations and reserve fund budgets were approved with a total of 2,202.71 in favor and none opposed.

V. Election of Residential Directors

Mr. Kelley stated that a quorum of residential members is not present at this meeting therefore the vote of residential directors can not take place. The incumbents are running unopposed so they will remain in their positions until a vote at the next Members' meeting which is generally held in July.

VI. New Business/General Discussion

Reserve Fund Update

Ms. Gruber reported that reserve fund expenses are made at the discretion of the Executive Board working closely with Neighbourhood Company staff and committee members. The Board determines expenses for the upcoming year and presents their ideas to the Members for input.

One major expenditure from the Improvements Reserve Fund is for the Information Center. It is currently under construction in the main entrance to River Run in front of Gorsuch and should be completed by the holidays. This Information Center will help to promote River Run and guide people to the activities and services offered at the Resort.

Other 2001 expenditures included new public furniture, public restroom upgrades, signage, bus shelters, landscaping improvements, holiday decorations and the snow melt system for Trail Head Drive. The Improvements Reserve Fund also reflects an audit adjustment in the amount of \$184,913 which accounted for excess allocations into that account in 2000 that were paid back to the checking account in 2001.

The expense for Trail Head Drive was further explained by Mr. Kelley. Neighbourhood Company Members voted in 2000 to include The Timbers into the Neighbourhood Company. This vote was based upon two different budgets for 2001; one that included The Timbers and one that did not. Part of the agreement was that The Timbers owners would pay the 2% RETA into the Neighbourhood Company in exchange for the Neighbourhood Company covering the expense of snow melting Trail Head Drive. This turned out to be beneficial for the Neighbourhood Company as it will continue to receive approximately \$50,000 from that property in Annual Real Estate Assessments.

BMX Track

The BMX Track is a proposed expenditure in the amount of \$30,000 that is planned for 2002. Mr. Oliva explained that significant research has been conducted by the Resort and the Neighbourhood Company on BMX tracks. There are currently no tracks between the Front Range and Grand Junction so the need for a track in the mountains exists. BMX tracks are operated by a sanctioned racing program and involve non-motorized bicycles. The operator requires proof of insurance, signature of a liability waiver and all racers must be members of the BMX racing circuit. Most racers are in their teen years and travel with families that are looking for alternative activities during the race and also need a place to spend the night.

The associated expense with the track involves purchasing a specific kind of dirt with clay to reduce the amount of dust. This dirt will be used to construct the track with the use of heavy equipment of which the Resort already owns. The proposed location of the track is the west end of the Montezuma free parking lot to keep the activity near mini golf and the climbing wall. The majority of races would take place on the weekends during day light and the associated noise would be minimal. At the end of the racing season, heavy equipment will push the dirt into a pile to free up skier parking and that dirt can be used again the next season. The track will not be available to non-licensed locals during non-race time. Insurance for the track would be covered by the National Bicycle Association as long as the track is constructed to their specifications. The NBA is the largest non-profit BMX sanctioned organization in the world.

One of the issues holding up the addition of this attraction to River Run is the fact that the lot is owned by the Resort and not the Neighbourhood Company. This has created some legal issues regarding easements. The other issue is finding an entity to maintain the track. It

would be preferable to have a retail entity that deals with dirt bikes maintain the track such as Polar Revolution or Christy Sports. Both issues are being worked through at this time.

Mrs. Spencer expressed concern with the noise level associated with large crowds. Mr. Oliva commented that these types of races would attract 300-1,000 people and wouldn't grow to a significantly large event unless a national championship was held at Keystone. This track would take up less than one acre and should not interfere with event parking during the busy summer weekends at River Run.

Ms. Gruber commented that Members will be kept apprised of this and other potential attractions in Neighbourhood Company newsletters.

Events Update

Ms. Speer briefly commented on events. Last year the Members approved the addition of \$30,000 to the events budget specifically earmarked for shoulder season business development. These funds were used to extend the summer season both in the spring and fall months. The spring tent sale was improved, activities around the Fourth of July holiday were increased, the Bavarian beer festival was held in September and Halloween activities for the kids were held in October.

VII. Set Next Meeting Date

The next meeting was set for July 5, 2002 at 3:00 p.m.

VIII. Adjournment

The meeting was adjourned at 4:57 p.m.

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