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THE KEYSTONE NEIGHBOURHOOD COMPANY
ANNUAL MEMBERS MEETING
July 3, 2003

I. Call the Meeting to Order

The Keystone Neighbourhood Company Annual Members' Meeting was called to order by Mr. Roger McCarthy on Thursday, July 3, 2003 at 3:10 p.m. at the Keystone Conference Center.

Board Members Present Were:

Roger McCarthy, President, At Large Director
Jack Wolfe, Vice President, Resort Director
Bill Pell, Secretary, At Large Residential Director
Thomas Davidson, At Large Director
Doug Sims, Ski Tip Residential Director
John Boyd, River Run Residential Director
Don McCoy, River Run Commercial Director

Representing the Keystone Neighbourhood Company Were:

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

For a list of homeowners present please contact the Neighbourhood Company.

Others Present Were:

Luke Slottow, Director of Property Management
Jeff Steele, River Run Property Management
Chris Love, Property Manager
Craig Abramson, Property Manager
Jeff Pennette, Property Manager
Winston Elliott, Property Manager

II. President's Address

Mission Statement

It is the Neighbourhood Company's mission to make the Neighbourhoods at Keystone a premiere mountain community by maintaining a high quality environment and investing in facilities and events that will attract visitors and create a vibrant four-season community.

KNC Territory

The Neighbourhood Company currently has 821 Members and 967 total units. Neighbourhood

Company territory comprises 9.3 acres, 4.3 miles of roads and 6 million dollars in assets.

Election and Voting Update

The current voting analysis reflects a total of 3,064.21 votes of which 28% are held by Homeowners, 33% are held by Vail Resorts and 39% are held by Keystone/Intrawest LLC. As build-out of the master plan progresses, the percentage of votes held by Keystone/Intrawest will decrease and the percentage of votes held by the Homeowners will increase.

Mr. McCarthy noted that there are three Homeowners on the Executive Board, one Merchant, two representatives for the Developer, two representatives for the Resort and the commercial director position is vacant at this time.

III. Approve Previous Meeting Minutes

A motion was made to approve the previous meeting minutes dated November 22, 2002, as presented. The motion was seconded and carried unanimously.

IV. Financial Reports

Audit and Year-End 2002

Mr. Paul Backes of McMahan and Associates presented the 2002 audit. The firm has given the company a positive, unqualified audit opinion.

The Company saw a net loss of \$517,733 largely due to community improvements expenditures (approved by the Board) for the Park Lane Pavilion and the Information Center. The operating fund had a net loss of \$144,095 due to decreased real estate transfer assessments and increased Park Lane Pavilion marketing and event expense.

In summary, the Neighbourhood Company is following the approved financial plan. Accounting controls and systems are good and investments are insured or have low risk. Expenditures are reasonable and relate to the Association's purpose. The Association's financial future is largely dependent upon real estate activity.

Vote on Audit Resolutions

RESOLVED, that amounts collected by or paid to the Neighbourhood Company for Community Facilities in the amount of \$91,426, for Community Capital Reserves in the amount of 17,050 and for Community Improvements in the amount of \$12,301 for the year ended December 31, 2002, shall be set aside for future major repairs and replacements and allocated to capital components as provided by the guidelines established by IRC Section 118 and Revenue Rulings 75-370 and 75-371. Such amounts shall be deposited into separate accounts. Any amounts so added to replacement funds shall be allocated to the various components by the Executive Board.

This resolution passed with 2,314.21 votes in favor and 13 opposed.

RESOLVED, that excess membership income over membership expense collected by or paid to the Neighbourhood Company for the year December 31, 2002, shall be applied against subsequent tax year membership income as provided by IRS Revenue Rulings 70-604.

This resolution passed with 2,317.21 votes in favor and 10 opposed.

Year-to-Date Financial Reports

As of May 31, 2003, income was \$519,162 or 128% of the budgeted amount, expenses were \$730,624 or 92% of the budgeted amount and net income was negative \$211,462. There are 10 delinquent members related to the AREA billing totaling \$16,489 in A/R.

Reserve Funds Update

The Capital Reserve and Replacement fund is projected to have a year-end balance of \$427,657 which includes \$100,000 in revenue and \$157,800 in expenses however, the Board does not anticipate spending the entire \$157,800 in 2003. That amount was budgeted according to the reserve fund study.

The Community Facilities Reserve Fund is projected to have a year-end balance of \$344,960 which includes \$124,713 in revenue (which represents the required 10% of Annual Real Estate Assessments allocation) and zero dollars in expenditures.

The Community Improvements Reserve Fund is projected to have a year-end balance of \$688,223 which includes \$3,132 in revenue and \$80,893 in expenses. Significant 2003 expenses include the Park Lane Pavilion at \$30,893, Event and Landscaping improvements at \$10,000 each and a sound system at \$30,000 which was carried over from 2003.

Board Discussion and Analysis

Revenue;

Last year the Members approved the 2003 budget including an increase in the Annual Real Estate Assessment mill levy from 20 to 29 mills. However, the county reduced its assessment rate from 9.15% to 7.96% to offset an increase in property values, the increased AREA mill levy may not be as significant as budgeted. Real Estate Transfer Assessments continue to be variable relating to new sales. Resales are strong. Other revenue sources include Sales Assessments which include condominium rentals. Rentals through the resort are automatically remitted to the Neighbourhood Company. Owners renting through other agencies or on their own need to ensure that .5% is remitted on a monthly basis to the Neighbourhood Company.

Expenses;

Expenses relating to Keystone Services: Transportation, Security and Operations have been held steady from 2002 – 2005. All other expenses have been held at no more than 2% increases. Event expenses are being held flat and it is the hope that events will become self-funding in the near future. It is the Board's philosophy to increase reserve fund contributions, and reduce services if future budgets can not be met.

The Neighbourhood Company hired Wiss, Janney, Elsnor last year to update the Reserve Fund study. That study will be updated every three years. It was noted that contributions and expenditures from the Capital Reserve Fund will be closely monitored to avoid special assessments.

V. Summer Events Update

The summer will be packed full of events including Celtic, Xterra, Mountain Arts, Bluegrass,

Wine/Jazz/Art, Taste of Keystone and the Bavarian Beer Festival. New to the events line up this summer is the Festa Italiana Art Festival. Recurring daily events will continue as in previous summers, gondola rides will not be free this year however Merchants will offer two for one coupons and there will be extensive front range and local marketing.

The Park Lane Pavilion has a new business manager, Amy Kemp, who previously worked in the Keystone Marketing Department. There will be a wide-range of programming Wednesdays through Sundays. A few Mondays will feature the Snake River Community Association speaker series.

All Members are invited to visit the Park Lane Pavilion for the Women in Rock concert benefiting the Summit Middle School Music Program. A free-will contribution of \$5.00 per person will help to raise funds for the music program. Members will receive a complimentary beverage coupon to redeem at the concert.

VI. Old Business

Dakota Pool

Mr. Boyd reported that he spoke with a few Board presidents of buildings in River Run without a pool on their building property. He said that there was no interest for those associations to assume responsibility for the Dakota Pool. The Neighbourhood Company Board previously discussed this issue and determined that pool expenses could be covered with the mill levy increase and that the benefits of offering a Neighbourhood Company pool to guests and owners was worth the expense.

VI. Set Next Meeting Date

The next meeting date was set for Friday, November 21, 2003 at 2:00 p.m.

VII. Adjournment

The meeting was adjourned at 4:20 p.m.

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