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THE KEYSTONE NEIGHBOURHOOD COMPANY
SPECIAL MEMBERS MEETING
JULY 5, 2002

I. Call the Meeting to Order

The Keystone Neighbourhood Company Special Members' Meeting was called to order by Mr. Paul Stashick on Friday, July 5, 2002 at 3:15 p.m. in the Longs Peak Room at the Keystone Conference Center.

Board Members Present Were:

Paul Stashick, President, At Large Director
John Rutter, Vice President, Resort Director
Mike O'Connor, At Large 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
Heidi Stenhammer, Office Manager
Molly Speer, Operations Manager

Homeowners Present Were:

If you are a Neighbourhood Company member and would like a list of homeowners present at the meeting, please call 800-919-0038.

Others Present Were:

Jeff Steele, River Run Property Management
Michael Lytle, Keystone Resort Real Estate
Patt Reyes, Property Manager
Brenda Moran, River Run Commercial Leasing
Winston Elliot, Property Manager

II. President's Address

Introduction of Board Members and KNC Employees

Mr. Stashick took a few brief moments to introduce Neighbourhood Company employees and Board members who are listed above.

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.

III. Approve Previous Meeting Minutes

Mr. Gartside made a motion to approve the previous meeting minutes dated November 17, 2001, as presented. The motion was seconded by Ms. Lutton and carried unanimously.

IV. Financial Report

Audit and Year-End 2001

Mr. Paul Backes of McMahan and Associates presented the 2001 audit. The firm has given the company a positive, unqualified audit opinion for 2001.

Total net income in reserve funds for 2001 was \$1,115,182. Net income for the operating fund was \$140,274. Mr. Backes noted that all company investments are insured and carry low risk. Expenditures were also considered reasonable. Major expenditures for the company include special events, transportation and common area maintenance. Real Estate Transfer Assessments reflect the most significant revenue stream for the company and are highly variable as they are dependant on real estate activity.

Year-to-Date Financials

As of May 31, 2002 income was \$349,700, expenses were \$685,428 for a total net income of negative \$335,728. This reflects 82% of budget.

2002 Reserve Funds Update

As of May 31, 2002 the Improvements Reserve Fund had a balance of \$595,009 with projected revenue in the amount of \$265,129 and expenses in the amount of \$505,362 for a projected year-end balance of \$354,776. The Capital Reserve and Replacement Fund had a balance of \$531,045, projected revenue in the amount of \$18,927 and expenses in the amount of \$42,800 for a projected year-end balance of \$507,172. The Facilities Fund had a balance of \$281,535 with projected revenue in the amount of \$96,345 and expenses in the amount of \$152,714 for a projected year-end balance of \$225,166. The projected year-end total of all funds is \$1,087,114.

Ms. Gruber commented that the Reserve Fund Study is in the process of being updated. This study reflected 3.1 million in assets in 1999 which has increased in 2002 to 6.4 million.

Board Discussion and Analysis

The Finance Committee, comprised of Doug Sims, Bill Pell, Paul Stashick, and Dave Hierholzer, developed a three year financial forecast discussion document. This analysis forecasts deficits for 2002 through 2005 as follows:

2002	(123,273)
2003	(171,449)
2004	(840,040)
2005	(468,892)

This analysis is built using 6% annual growth, the required 10% of Annual Real Estate Assessments being allocated to the Facilities Reserve Fund and an allocation to the Capital Reserve Fund that increases from \$100,000 in 2003 to \$250,000 in 2004 and 2005 and should reach the recommended \$400,000 allocation according to the reserve fund study. All income categories are variable except for the Annual Real Estate Assessments.

The Board Discussion and Analysis reveals a conservative, worst-case scenario and is being shared with the Members for full disclosure of financial information. No action by the Members is required regarding this document today. Mr. Sims noted that, in the near future, either development within Neighbourhood Company territory needs to resume, services need to be cut or the mill levy needs to be increased in order to balance the budget.

V. Vote

Audit Resolutions

RESOLVED, that amounts collected by or paid to the Neighbourhood Company for Community Facilities in the amount of \$85,911, for Community Capital Reserves in the amount of \$248,838 and for Community Improvements in the amount of \$827,836 for the year ended December 31, 2001, 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 a vote of 2,347.71 in favor and 3 against.

RESOLVED, that excess membership income over membership expenses collected by or paid to the Neighbourhood Company for the year ended December 31, 2001, shall be applied against subsequent tax year membership income as provided by IRS Revenue Rulings 70-604.

This resolution passed with a vote of 2,345.71 in favor and 5 against.

At Large Residential Director

RESOLVED, that Bill Pell be elected as the At Large Residential Director. This resolution passed with a vote of 190 in favor and 1 against.

River Run Residential Director

RESOLVED, that John Boyd be elected as the River Run Residential Director. This resolution passed with a vote of 242 in favor and 3 against.

VI. Community Improvements

Information Center

Construction of the River Run Information Center is done. The "Green" building was made using a variety of environmentally safe products. It has photo-voltaic panels on the roof that absorb energy from the sun and offset the cost of electricity for the center. It includes various resort maps, phones, real estate TV & video, a gas-burning fireplace and the small interior of the center is used to sell tickets for the Park Lane Pavilion from a ticket window.

Park Lane Pavilion

The PLP will host the first performance of *Sylvia*, a play about a man and his dog (played by a woman), tonight for a special private showing for Neighbourhood Company members. This will be the first of six weekly performances throughout the summer. Other recurring events at the PLP include a Friday speakers series put on by the Snake River Community Association and Sunday National Repertory Orchestra concerts. Eileen Ivers will be the Grand Opening concert during the weekend of the Celtic Festival and many other exciting acts including Ruben Romero, Dave Laub, Groove Hawgs and comedy by Louis Johnson are scheduled throughout the summer. The PLP is also available for rentals through Keystone Conference Services.

The target market of the PLP includes single people in their 20's, young families and retired individuals. Surveys will be conducted throughout the summer to determine likes and dislikes associated with the pavilion. Merchants will be offering dining specials and discounts during shows and the Keystone summer marketing plan will highly emphasize the new pavilion.

VII. Special Events

Ms. Gruber briefly reported that events continue to be family oriented with weekend festivals, mountain bike challenge series and many recurring activities. Talks will resume in the near future with Avalanche Productions for another big-name concert to be held in the Montezuma Free Parking lots the summer of 2003 and beyond.

VIII. General Discussion

Delivery Vehicles

Mr. Sanko asked about delivery vehicles parking in "No Parking Lanes" and leaving diesel engines running for extended periods of time while deliveries are being made. Ms. Speer commented that there are designated areas and delivery times for commercial vehicles which are not always adhered to. She will address the items of concern with the individual drivers.

Smoking Ban

Due to a county-wide outdoor smoking and fire ban, a designated outdoor smoking area has been created in the Silver Mill courtyard and will remain in effect until the smoking and fire ban is lifted.

Red Hawk Townhomes

Mr. Boyd reported that after several discussion between the Board and the HOA the Neighbourhood Company would be willing to provide services to the Red Hawk Townhomes provided that those homeowners agree to remove their gated status and take down the gate making it a public community. This is for informational purposes only, no final decisions by either the Neighbourhood Company Executive Board or the Red Hawk Townhomes HOA have been made at this time.

IX. Set Next Meeting Date

After some discussion, the Members determined that the next meeting will be held on Friday, November 22, 2002 at 3:00 p.m.

X. Adjournment

The meeting was adjourned at 5:06 p.m. There will be a BBQ and private showing of *Sylvia* at the Park Lane Pavilion for Neighbourhood Company Members this evening.

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