

The Keystone Neighbourhood Company

Annual Members' Meeting

November 20, 2009

**I. Open Meeting**

The Keystone Neighbourhood Company Annual Members' Meeting was called to order at 2:13 pm by Alex Iskenderian on Friday November 20, 2009 at the Keystone Conference Center.

Board Members Present Were:

Doug Lovell, President  
Alex Iskenderian, Vice President & At Large Director  
Paul Jeppson, Lodge Director  
Jeff Steele, At Large Director  
Donna Nolz, At Large Commercial Director  
Don McCoy, River Run Commercial Director  
Doug Sims, Ski Tip Residential Director  
John Boyd, River Run Residential Director  
Stephen Straight, At Large Residential Director

Representing the Keystone Neighbourhood Company Were:

Tim Baker, Executive Director  
Mindy Bothel, Business Manager  
Josh Blanchard, Events Manager  
Lesley Johnson, Sr. Event Coordinator  
Don Dobson, Operations Project Manager

Homeowners Present in Person Were:

<u>Name</u>	<u>Lot/Unit Number</u>
Gaynor	2203
Alleman	8407
Sims	Lot3 SC
Dowejko	8004
Wallick	8023
Holshouse	8385
Schroeder	8351
Boyd	8811
Brewka	2269

<u>Name</u>	<u>Lot/Unit Number</u>
Thomas	8179
Ladoucear	8403 & 8404
Matchett	8522
DeRaad	8615
Griffin	8034/8032/8003
Acker	8343/8214
Paddock	8979
Vogt	2327
Boult	2241
Ong	2274
Gaynor	2203
Berlakovich	2291
Meng	8062
Keltn	8490
Blum	8728

## II. Call the Meeting to Order

### **Approval of Previous Meeting Minutes**

The previous minutes dated July 2, 2009 were reviewed and approved as amended by unanimous vote.

## III. President's Report

### **Introduction of Executive Board**

Tim Baker introduced all Board members on the stage.

### **Mission Statement**

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

#### **IV. Executive Director's Report**

##### **Introduction of Staff**

Mr. Baker introduces all Keystone Neighbourhood Company staff.

##### **Meeting Goals and Objectives**

Mr. Baker reviewed the agenda and gave a brief summary of how the meeting will progress.

##### **September 30, 2009 Year to Date Financial Report**

Mr. Baker began his review of the September 2009 month end financial reports. He noted that the KNC has approximately \$275K in outstanding assessments for the Alder Tract A and Tom Petters is in receivership by the US government which our attorneys are monitoring on an on going basis. He continued with the summary of the asset accounts. He gave an outline of the liabilities and noted that the month end balanced to approximately \$7.2M.

##### **2009 Year End Projection**

Mr. Baker summarized the revenues expected for yearend 2009 and continued showing \$254K the KNC is under budget due to tightening our belts and watching every penny in a down economy. The KNC is showing we may be able to set aside approximately \$454,634 for reserve allocation for yearend 2009. Original budgeted capital expenditures as \$735K but project \$280,336. The majority of the decrease is attributed to the saving shown in not progressing with the permanent facility.

##### **2010 Operating and Reserve Fund Budgets**

Mr. Baker began his presentation on the 2010 budget outlining how we determined the revenue amounts for the A.R.E.A. and the R.E.T.A. which has taken a dramatic reduction in late 2008 and 2009. As for sales and recreational assessments we are expecting reductions do to the economy and how guests are spending money. 2010 interest is substantially higher than 2009 since there was very little interest earnings for 2009 due to the economy. Pavilion and community events are higher due to the addition of animation and increased event schedule.

Expenses show the G&A are relative to the 2009 budget which will also carry a bad debit expense primarily due to the Alders Tract A. In regards to security and transportation we will see a substantial saving as a result of the resort not charge for transportation beginning in

2010. For snow removal we budget for a favorable snow year to make sure we are covered for any type of season.

Regarding events, we are looking hard at how to upgrade the current events and add new events and animation to bring more vitality to the village. As for the capital expenditures for 2010, we are look to do some upgrades and continue with the maintenance of our current assets.

A question was raised on how the auditors back track on the .5% for sales and recreational assessments to make sure we are receiving all assessments? Mr. Baker responded that many of the merchants are having a very difficult time thus creating reduced and late sales and recreational assessments. A Board member gave a brief outline on how the resort tracks the sales revenue it collects and remits to the Keystone Neighbourhood Company (KNC) on behalf of the merchants. Another Board member explained how he, as a merchant, remits sale numbers to the appropriate agencies.

### **New Pavilion at Keystone Facility**

Mr. Baker began his presentation on why we are pursuing this investment. Due to our mission statement we need to attract visitors and feel this facility will accomplish that mission. The KNC has spoken with the members and found that they are in support of this facility. Per our documents we are required to set aside 10% for the A.R.E.A. collected each year to the facilities reserve account solely for new facilities. There is also a PUD requirement that new facilities are constructed in the Keystone area. If the KNC had the funds available for a permanent facility we could move in that direction, but do to the current economic times and the need for R.E.T.A. revenue to assist in funding the permanent facility we do not feel this is the right time to proceed with the expenditure of reserve funds need to construct the permanent facility. Mr. Baker continued with the presentation noting that staff should have included in the packet of information we sent to the homeowners regarding the semi-permanent facility that we will not raise the mill levy to pay for this facility. Furthermore there will not be a special assessment for this project. The question was posed; how does this benefit the average owner? Mr. Baker responded that this facility will allow for entertainment opportunity throughout the year not just the summer months. The new facility will also allow for year round wedding business which the KNC experienced a great deal of growth in 2009. In regard to the insulation of the new facility it is expected that this facility may exceed traditional construction in insulate and add interior stability. It is also felt that with the addition of this facility and what it will bring to the area that it will boost marketability and value of all properties in the village and surrounding area. The question was asked; how will it affect the operating budget? Mr. Baker responded that the KNC feels confident that the new facility will stay within the current subsidy of approximately 85% recovery of which the KNC will subsidies approximately 15% acknowledging that the industry standard is a 60% subsidy. Another member inquired; will we still put 10% of the annual A.R.E.A. collections in the Facility reserve account after we build this facility? Yes, per the KNC documents we are required to allocate 10% to the facilities reserve account each year. The next question posed was; why are we beating the average of 60% subsidy? Mr.

Baker responded that a majority of the savings has to do with our increasing wedding business. A member conveyed that he did not feel this is a good thing for the village. In his 10 years as a homeowner in the area he has not been given a survey and feels this is presumptive that all members want this. Some members feel the sound will be a problem and don't feel the interior insulation and acoustics will handle the sound appropriately. In response Mr. Baker noted that the insulation will be similar to or better than a permanent building and sound will not be filtered any different than a permanent structure. He went on to explain that the interior design will be as good or better than a permanent facility mentioning that this product is warranted for 20 years. Some members feel that this is just a tent and DRB will not approve this structure. Another member asked; will we be able to use of the FF&E in a permanent facility? Yes, we can purchase with that in mind. Another member commented that they find this facility a very positive move for the KNC, see it as similar to DIA and feel the facility will be a benefit to the community and resort. Mr. Baker continued his comments by saying the KNC sees this as a step in right direction to figure out if this type of facility will work in our area as a permanent facility. The question was posed; if we back off the high end FF&E how much money could we save in this facility? The sound equipment is approximately \$40K and the lighting is approximately \$?? K. When we construct the permanent facility we may have to upgrade some of the equipment if technology has moved forward substantially. Continuing, what else can we keep from the facility when we move to the permanent facility? We will purchase all assets with the thought of keeping them for the new facility. Can we change the exterior look to look more similar to DIA mountain peaks look? Also, this member feels it is good to use this structure for experience of running a similar facility. Mr. Baker responded that this is a unique technology that has limited exterior versatility. A member since 2001 recalled that the survey showed that this is the type of facility the homeowners want in the village. They also recall the KNC had three open community meetings that also supported this type of facility. The Board understands that everyone has a different opinion and the Board has to make a decision and move forward. Another member asked; perhaps we could have a superficial design accent to change the exterior? Mr. Baker added we are adding windows and doors that will take away from the tent look. The member feels it is a good interim step but would recommend trying to make this look different exteriorly with screening. Landscaping will be a considerable help in the exterior look and feel of the structure. A Board member mentioned that the Board has had many of the same debates we are having today and the Board does support constructing a facility on an interim basis. Another member stated he believes that he and other members have not had an opportunity to voice objection to the project. He takes issue with that because people can vote and contact the Board but do not have contact information on an alternative view. We have not stifled any one on voicing their opinions regarding this facility. Another member inquired; Why not get a bank loan to fund the gap for construction of the permanent facility. A Board member responded that we have discussed this with banks and dozens of others individuals. We are an HOA and our only security for a loan is future assessments. The Board has discussed this and does not want to leverage the KNC to that extent. Currently the KNC cannot afford a construction loan and continue to fund the capital reserve at the required amount to maintain the infrastructure. Since we have saved in the past we can weather the years when we cannot fund appropriately as long as we continue to be fiscally responsible. They also feel there is a

clear majority that has stated this needs to happen. When the initial developer began the River Run Village development the county made them commit to a community facility. Vail Resorts (VR) has been chastised for not completing this project sooner. VR always stated that they want to support the members in the facility they want and feel this is a good interim project. The KNC has survived through three down turns and have added events to keep the village lively and vibrant. The general consensus of the Board and staff is that we feel this will also keep the village lively and vibrant through this down turn. Any new development may be three years away and the KNC will not see revenue from that development for at least seven years. This may be a seven to ten years temporary facility. To continue the Board does not feel the KNC has appropriate cash flow to support a loan. A member stated he believes the KNC did not give an alternative to the semi-permanent facility. He went on to say, that everything we have done so far is first class and he believes this is third class. Another member would like to give staff 10% more than the proposed allocation to upgrade the exterior stating that this is not quit good enough and we need to spend a little more to get a better building. He does not see this as a deadline today and suggests we could do colored lighting, rocks, and facade changes to increase the exterior appeal. At this point we can construct the semi-permanent facility or wait and additional seven years for a permanent facility. A member asked; is there a vehicle where we can show another view point. The homeowner is expressing that there is no channel for a dissenting view for proxy. Mr. Boyd says that since he is his board representative, that he is his "dissenting vote." Therefore, the member can get his views to Mr. Boyd and he will express it to the rest of the Board. The member agrees that "this is not a democracy," therefore it is a "Republic". Mr. Baker acknowledges all of the view points on this facility but at this point we need to move forward with the vote. Mr. Baker stated that in the back of the packet is the ballot and asked the members to now cast their votes and hold them up when completed and staff will be by to pick up the ballots.

#### **V. Forest Health Management Plan**

Ms. Grail and Mr. Caissie from the Dillon Ranger district moved forward with a forest mitigation update. Ms. Grail introduced herself and Mr. Caissie. Ms. Graile explained the process of the fire mitigation procedures for recommendations of a "veg plan." The Dillon ranger District (DRD) is doing an analysis of vegetation to make a recommendation to Keystone about what should be done with the pine beetle problem. She explains that many of the previous plans were for fuel reduction projects. She explains that Mr. Baker attended the fire mitigation meeting two weeks ago and is knowledge of the situation.

Mr. Caissie presented a quick overview of the vegetation of the area. The diagram he presented showed the Lodgepole Pine and Blue Spruce Pine. The goal is to move out the infected Lodge Pole Pine (most of which is infected if more than 7" in diameter) and build a new forest without disrupting the skiing. Lodge Pole Pine is the quickest way to get a new forest established. Mr. Caissie opens the presentation for questions.

Mr. Hutter asks if the fire is a natural occurrence in Lodge Pole Pine. He cited previous examples including Yellowstone in the 1970s. Mr. Caissie responded by saying that in the 1970s, a fire in Yellowstone ate up 100,000,000 acres. Control burns can't be done in ski areas. Ms. Grail said that "prescribed" burns are good in unpopulated areas, like Meeker. Out of control prescribed burns could destroy populated areas. They are currently doing burns in select area for fire precautions.

Another member asks; are there ways for prevention of beetle infestation? Mr. Caissie responded Yes and No. No, because beetles are a naturally occurring force in nature. Yes, if areas have a variety of age classes of trees and then have a "scattering of diversity", including a variety of types of trees. This is a future possibility, but not something we can do now. In 100 years, we will have another infestation.

Mr. Caissie explains that they will be putting in small clear cuts 2-5 acres and areas. It will take 10 years for Lodge Pole Pine to be high enough so it won't be damaged by skiers. This way, there will always be a "tree island." There are very few large clear cuts planned on the ski areas because if you open up an area that is inviting to skiers, they will come down and destroy the little trees.

Also, in a few areas we will remove the dead trees, including areas along the sides of trails. They will include small clear cuts with trees remaining in between. We looked at 2000 acres in ski areas. Lodge Pole Pine in general has been hit very hard. Some areas on front side of the mountain have 90% dead rate of trees.

Ms. Graile stated that Keystone worked on a vegetation management plan. Now DRD has worked on a mitigation plan. Each winter you will see something new, but it will take 50 years. This is a long process and you won't notice the change immediately. This is a "huge work in process." Ms. Graile asked for people to sign up on the mailing list if you are interested in more information. Mr. Baker will disseminate information as he sees fit. Materials from Colorado State Forest are available to take home. Mr. Baker thanked Ms. Grail and Mr. Caissie.

## **VI. Vote**

### **Determination of Quorum and Voting Result**

Mr. Baker inquired if a quorum had been reached on the items on the Ballot/Proxy? Ms. Bothel responded yes. Mr. Baker read the voting results as follows:

**2010 Budget:** 2003 for (85.5% of members) and 25 against (14.5% of members)

**Semi-Permanent Facility:** 1959 for (73.1% of members) and 72 against (26.9% of members)

**Other Matters:** 1927 for (62.2% of members) and 89 against (37.8% of members)

**VII. General Discussion**

A member commented that the trash removal in the village is great. He continued to say that it is not perfect, but has gone from 80% to 98.8%. Mr. Baker replied staff is continually striving to improve all of our responsibilities. Mr. Baker also wanted to call the members attention to the upgrades in the lighting around the village acknowledging that will be great too.

A member inquired; Vail is a big organization and the homeowner's association is a small organization. I don't understand the concept of the meeting. As a homeowner, do we have a partnership with Vail? Can we reschedule the meeting to get more people here? Mr. Baker gave an outline of the relationship between Vail Resorts and the KNC. In regard to the meeting schedule he noted that the meetings are scheduled around other HOA meetings to make it as convenient for homeowners as possible to attend each meeting. Even though changing the meeting dates and times have been reviewed in the past the staff will review alternatives.

A member stated that the KNC documents are in need of revision. Mr. Baker is in the process of reviewing and updating all of the documents for the KNC.

A member wanted to acknowledge Mr. Baker's leadership and his dedication to the village stating they can already see a change in the KNC and the village in the short time Mr. Baker has been in the Executive Director role. Mr. Baker thanked the member, but must complement his staff for their hard work.

**VIII. Set Next Meeting Date**

Special Members' Meeting July 1, 2010

Annual Member' Meeting November 19, 2010

**IX. Adjournment**

The meeting was adjourned at 4:20 pm