

THE KEYSTONE NEIGHBOURHOOD COMPANY

SPECIAL MEMBERS' MEETING

JULY 1, 2005

I. Call the Meeting to Order

The Keystone Neighbourhood Company Special Members' Meeting was called to order by Mr. Bill Pell on Friday, July 1, 2005 at 2:10 p.m. at the Keystone Conference Center. Mr. Pell noted that a quorum was present in person and by proxy.

Board Members Present Were;

Roger McCarthy, President, At Large Director  
Alex Iskenderian, Vice President, Resort Director  
Bill Pell, Secretary, At Large Residential Director and Homeowner  
Thomas Davidson, At Large Director  
Jim Crocker, At Large Commercial Director  
Doug Sims, Ski Tip Residential Director and Homeowner  
John Boyd, River Run Residential Director and Homeowner  
Don McCoy, River Run Commercial Director

Representing the Keystone Neighbourhood Company Were;

Keven Burnett, Executive Director  
Heidi Stenhammer, Office Manager & Treasurer  
Molly Speer, Operations Director

For a list of Homeowners Present at the meeting please contact the KNC office.

Others Present Were;

Jeff Steele, River Run Property Management  
Jeff Pennette, Property Manager  
Carol Culbreath, Property Manager

II. Approve Previous Meeting Minutes

The previous meeting minutes dated November 19, 2004 were approved as presented. Mr. Pell noted that an election for the River Run Director and At Large Residential Director will be held at the November meeting. Any person interested in serving on the Neighbourhood Company Board should submit a letter of interest to the Neighbourhood Company office.

III. President's Report

Mr. Iskenderian welcomed everyone in attendance and introduced the Executive Board as listed above.

**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.

IV. Financial Report

**Audit and Year-End 2004**

Mr. Backes from McMahan and Associates presented a clean, unqualified opinion of the 2004 Neighbourhood Company audit. He briefly reviewed the various reserve accounts including Community Improvements, Community Facilities and Community Capital Reserve. He reported that the Company is in an excellent financial position as revenue has been up and expenses have been held over the past several years. The Company has good internal controls, billings are followed up on and there are no inappropriate expenses.

The Board has been provided an analysis of Senate Bill 100 which added rules that govern legislation of homeowner associations. The Neighbourhood Company is currently in compliance with the majority of those rules and will ensure compliance with any remaining issues by the January 1, 2006 Senate Bill deadline.

**Vote on Audit and Board Resolutions**

Mr. Backes advised that as in the past the membership needed to adopt two resolutions which were provided to all of the members in their packets. Mr. Pell asked if there was any discussion or question about the resolutions, there being none he brought them on for adoption. The resolutions were adopted unanimously and are set forth below:

RESOLVED; that amounts collected by or paid to the Neighbourhood Company for Capital Replacement purposes for the year ended December 31, 2004, 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 at the discretion of the Executive Board.

This resolution passed with 2,187.97 votes in favor and 14 opposed.

IV. Financial Report (Cont.)

RESOLVED; that excess membership income over membership expense collected by or paid to the Neighbourhood Company for the year ended December 31, 2004, shall be applied against subsequent tax year membership income as provided by IRS Revenue Rulings 70-604.

This resolution passed with 2,190.97 votes in favor and 11 opposed.

V. Executive Director's Report

**Operations Update**

Effective May 1, 2005 the Neighbourhood Company terminated its contract with Vail Resorts for Village Operations services and hired eight full time and four seasonal staff members to perform those duties in-house. The change was designed to save the company money, expend resources more efficiently, provide more accountability and provide a better service.

The Neighbourhood Company still maintains various contracts for things such as snow hauling, restroom cleaning, road maintenance, electrical services and the maintenance of pool systems.

**Year-to-Date 5/31/05 Financial Reports**

As of May 31, 2005 the Neighbourhood Company has \$2,279,255 on the Balance Sheet in assets and liabilities. Income was \$599,317 or 155% of the budgeted amount, expenses were \$784,805 or 89% of the budgeted amount and net income was negative \$185,487 versus a budgeted negative \$497,373.

Notable revenue variances include RETA which is \$113,007 better than budget due to high resale activity and Other Income which is better than budget by \$41,181 due to a recoup of waste management fees which were previously paid by Vail Resorts Development Company.

Notable expense variances include Administration which is under budget due to savings in benefits. Taxes were protested with the county and abated for the past three years because values associated with common property in an association should be equally distributed to all owners within that association and hence that account is under budget. Road snow removal and maintenance is under budget by \$55,425 due to savings in snow hauling and trail head drive snowmelt utility savings. Plaza snow and litter removal is \$20,252 over budget due to the unbudgeted payment of waste management bills of which that recoup is reflected in Other Income.

Staff is projecting an end of the year surplus of \$197,000 by managing expenses and expending funds appropriately.

V. Executive Director's Report (Cont.)

**2005 Reserve Funds Update**

The goals of the community improvements reserve fund is to invest in new infrastructure and facilities, to enhance property values and community vibrancy, to establish viable connections between neighbourhoods, to invest in beautification and identification projects and to invest in equipment that can sustain the above. Approximately \$165,000 has been budgeted to be expended from the improvements reserve fund on Pavilion improvements, event improvements, a playground at Dercum Square, a park behind the Pavilion, holiday decorations, green room improvements and landscaping improvements.

The goals of the community reserve fund is to repair and upkeep the village, neighbourhoods and facilities, to continually repair major systems, to prepare for the possibility of major repair or replacement projects and to ensure that special assessments are avoided whenever possible. Approximately \$198,941 in expenditures has been budgeted and includes seal coating, curb and gutter replacement, walkways/boardwalks/paver replacement, courtyard furniture replacement, drainage repairs, sprinkler system controls, utility vehicle replacements and the repair of landscaping planter walls.

The goal of the community facilities fund is to accumulate enough funds for the eventual construction of a community facility as determined by the Board and Members. This fund is required by the Neighbourhood Company Declaration and 10% of the total Annual Real Estate Assessment must be placed into this reserve account annually. There are no budgeted expenditures from this account for this year.

**Three Year Forecast**

The three year forecast looks strong with the current real estate market. RETA will continue to be budgeted conservatively at the low \$800,000's with the possibility that it will come in over a million dollars. Expenses will continue to be held steady while ensuring that the village and neighbourhoods are maintained at a high level. The reality of building a community facility is nearing and will be discussed within the next three years.

**Summer Events Update**

The goal of Neighbourhood Company events is to create fun, family friendly and diverse events that create a unique experience, support community, resort, commercial and lodging activity. Festivals are always evaluated to determine if they should be continued from year to year.

VI. New Business

**Post Offices in River Run**

Since the Keystone Post Office will close its doors effective May 27<sup>th</sup> due to a lack of funding from the Resort, the Executive Board approved the installation of 80 – 160 postal boxes to be located at Dercum Square. These boxes will be available to Neighbourhood Company members only and will include an outgoing mail drop box and several large parcel boxes. Neighbourhood Company members will be asked to secure a box through the Neighbourhood Company office for a one-time fee of \$100.

**Marketing Efforts**

A discussion ensued regarding the need to more effectively communicate events occurring throughout Keystone. Suggestions include the placement of acrylic containers throughout the resort, the consistent placement of flyers in all elevators and in-room pieces.

VII. Set Next Meeting Date

The annual meeting of the Keystone Neighbourhood Company will be held on Friday, November 18, 2005 at 2:00 p.m.

VIII. Adjournment of Special Meeting

The meeting was adjourned at 5:00 p.m.