

**CINNAMON RIDGE III CONDOMINIUM ASSOCIATION  
BOARD OF DIRECTORS MEETING  
January 20, 2007**

**I. CALL TO ORDER**

Mike Black called the meeting to order at 8:00 a.m.

Board members present were Fred Davison, Larry Glover and Mike Pederson. Board members participating via teleconference were Mike Black and Ray Yelle.

Representing Summit Resort Group were Peter Schutz and Kevin Lovett. Erika Krainz of Summit Management Resources transcribed the minutes from tape.

**II. OWNER'S FORUM**

There were no owners present at the meeting.

**III. APPROVE PREVIOUS MEETING MINUTES**

Ray Yelle made a motion to approve the minutes of the October 14, 2006 Board Meeting as presented. Larry Glover seconded and the motion carried unanimously.

Ray Yelle made a motion to approve the minutes of the December 16, 2006 Special Board Meeting as presented. Fred Davison seconded and the motion carried unanimously.

**IV. FINANCIALS**

*A. Year-to-Date Review*

Ray Yelle commented that he had not been receiving the bank statements with his monthly packet.

As of December 31, 2006, the Association had \$18,442 in the Operating account, \$19,027 in the money market Reserve account at Alpine Bank and \$49,646 in the Reserve account at Alpine Bank. The Association was operating \$3,123 under budget mainly due to savings in common area cleaning, electric, gas, the Contingency Fund, landscape labor and landscaping contracts,

*B. Reserve Status*

The Association had planned to have \$65,943 in the Reserve accounts as of the end of December. The actual balance was \$68,672.

*C. Operating Surplus*

The 2006 Operating Budget was revised at the end of last summer. The Association was budgeted to have a \$4,811 surplus at year-end. The actual year-end surplus was \$7,363, \$2,552 ahead of budget. The Operating account balance is currently \$18,422. The budget as written results in a negative cash flow for

several months at the beginning of 2007 (-\$9,930 at the lowest point). Transferring the surplus from Operating to Reserves would leave a balance of \$11,059 in Operating, which would cover any negative cash flow.

Fred Davison made a motion to transfer the \$7,363 Operating surplus into the Reserve account (#1020) to create a zero based budget for 2007. Ray Yelle seconded and the motion carried.

Kevin Lovett will provide the Board information regarding the interest rates and liquidity of the Reserve accounts. He will also update the beginning balance for the Capital Budget for 2007 to reflect the addition of the surplus.

Mike Black raised a question about the "Total Other Expense" line on the Profit and Loss statement. Kevin explained that the section was for tracking the Reserve spending. According to the report, the budget for Reserve expenses was \$12,465 but not all budget figures were included. Actual expenses were \$66,560, resulting in a 534% overage. It does not take the Special Assessment into account; that amount is reflected in "Other Income". Kevin will add the missing budget numbers, including the Special Assessment, to make the report more accurate. He will also remove the comment at the bottom of the Actuals page since the figures are no longer estimates.

*D. 2007 Approved Budget*

Kevin Lovett explained that two new line items were added to clarify the charges for his time and Johnnie's time. The line items are Administration Expense (\$3,000) and Site Managers Expense (\$9,000). The Site Managers Expense also has five subcategories (Cleaning, Grounds Maintenance, Building Maintenance, Snow Removal and Hot Tubs) to facilitate tracking of Johnnie's time.

**V. MANAGING AGENT'S REPORT**

*A. Completed Items*

1. Repaired dry rot under hot tub. Kevin Lovett was instructed to inspect the area regularly as there is still water penetration. When the carpet is replaced, some type of water barrier should be added.
2. Created a policy for back deck responsibility. The Association will continue to be responsible for back deck painting, carpeting and structural repairs unless an owner is negligent, in which case the owner will be responsible for repairs, which must be approved by the Property Manager. If an owner wants to make repairs to their deck, the repairs must be approved. The policy should be posted on the website, sent out with the meeting minutes and attached to the Rules and Regulations. Ray Yelle made a motion to add the Policy to the Rules and Regulations. Larry Glover seconded and the motion carried.
3. Posted Senate Bills 89 and 100 on website.

4. Annual wood fireplace cleaning and inspection completed. There were no major issues, however some units were noted in the report to be in need of repairs. Kevin included a spreadsheet in the packet listing the condition of the wood fireplaces in each unit and any maintenance requirements. He also sent a copy of the maintenance items to all affected owners. Two Board members commented that they did not receive letters. Kevin will resend all the letters. The Board asked Kevin to develop a follow-up process for any units with fireplaces that had problems identified with the back refractory. Fred Davison will have someone look at his firebox and compare the condition to the report. Peter Schutz mentioned the Fire Department could be asked to look at any fireboxes in question if necessary. Kevin will send a cover letter with the reports when he resends them indicating the owners have a March 1, 2007 deadline for completing the work or the Association will have it done and bill it back to the owner. Kevin believes that he has cost estimates from Service Monkey for the recommended repairs. He will follow up with a phone call to any units that were identified as having a potential safety issue, including grate or screen problems.
5. Annual gas fireplace cleaning and inspection completed. The Appliance Doctor noted that all the gas fireplaces in Buildings C and D had an issue with gas loading up prior to ignition and causing a “whoosh” on ignition. Mike Black and Kevin will review this next Thursday when he is on site. Kevin contacted the Fire Department and was told there was no requirement for annual inspection of gas fireplaces. The Board agreed to schedule gas fireplace inspections every other year. Kevin will resend the gas fireplace reports to all owners as well.

*B. Pending Projects*

1. Carpet repairs and replacement. Larry Glover has a sample of a suggested carpet product. He found that indoor/outdoor carpet with rubber backing is no longer manufactured. He believes it will be necessary to hire a roofer to remove the existing carpet and to patch the bichethane before having new carpet installed. He anticipated it would not be easy or inexpensive to remove the existing carpet. Kevin pointed out the cost figures were estimates. The exact square footage needs to be determined and the product selected to get more accurate numbers. Kevin included three bids for exterior carpet. He has one product sample from one of the contractors. Kevin was directed to get additional samples. Kevin will get more information prior to the next Board Meeting so the Board can choose the carpet at that time. The project will be tentatively scheduled for May. Peter Schutz recommended the Board look at the product that was used at the East Bay complex. Mike Black created a committee consisting of himself, Larry Glover and Kevin Lovett to work on the project. They will provide recommendations at the next meeting. The carpet will be replaced on Building B as well as around the hot tub.

2. Back deck staining. This project has been approved and will be done in the spring. Two units are scheduled to be stained as samples – Units 222 and 322 (as soon as weather permits).
3. Dryer vent cleaning. Building B and the lower levels of Buildings C and D have been completed. The top levels of Buildings C and D will be accomplished when the snow conditions on the ground permit the safe usage of the long ladders for the high units. Kevin was asked to make sure the dryer vent hoses are properly connected after completion.
4. Repair and/or replace carpet corner coverings at new hot tub.
5. Replace wooden supports on the water line manifold with steel supports. Mike Black will provide a catalogue with materials that can be used for the supports.
6. Building D front roof edge is partially separated. It has been like this for some time. Turner Morris has looked at it and can repair it but it might pull the flashing away from the EFIS. There does not appear to be any water penetration from the outside. Larry Glover pointed out that it should not be completely sealed because it would trap any water that penetrates the roof. Larry and Mike Black will look at it next time they are at the property. The Board agreed they should try to determine what caused the separation.

*C. Report/Discussion Items*

1. Building B boiler room floor replacement. The floor surface of the room is a ¾" gypsum product (poured topping slab) and is chipping badly. Kevin is working on getting bids to replace the entire floor topping and repairing only the chipped area. Mike Black will look at it with Kevin when he is at the property on Thursday. He thought the entire floor topping should be replaced, not just the damaged portion.
2. Apex Security collections notice. Kevin has not heard back from Apex since the letter crafted by Mike Black and Kevin was sent to them and their collection agency rejecting their claim. If there is any response from Apex or their collection agency, the Board will then determine the next appropriate action.
3. Saflok keys. ResortQuest is now charging \$3/key for making Saflok keys requested by owners. Kevin asked for direction regarding who should be charged, i.e. the owner or the Association. Fred Davison felt it should be an owner charge. A suggestion was made to have the keys valid for longer than one year. Kevin said he would mail two keys to each owner each October. He estimated he was providing keys for about 85% of the owners. Kevin said some units managed by other management companies were not on the same master key but he has access to all units. Fred Davison asked if there was an option of changing back to brass keys, and if so, what the cost would be. Mike Pederson said two units had already switched to brass key locks; there is a decorative cover that can hide the holes left from the electronic lock. Kevin said all card keys being issued

at this point are owner level, including for rental guests, so the security feature of the electronic lock is not being utilized. Mike Black proposed that owners be provided with two key cards that are valid for two to five years at no charge and any keys beyond that would be at their own expense as it is a function of their rental activity. The Board ultimately agreed to issue two keys per unit valid for two years at Association expense and to charge owners for any additional keys. Kevin will send a letter with the owner statements informing the owners of the new policy. Peter Schutz will get a price for replacing the electronic lock with a brass lock.

## **VI. OLD BUSINESS**

### *A. Property Management Contract*

Fred Davison said the Board had reviewed and agreed upon most elements of the contract. One element that was not resolved was the language regarding the fidelity bond (section Q.3). The original proposal included \$1 million of coverage, but it was then reduced to \$250,000 in a subsequent draft. The Summit Resort Group policy does not appear to have a fidelity bond attached to it. Fred felt it was absolutely necessary to have this included in the contract. Peter Schutz explained that \$1 million in fidelity bond coverage was not normally included. Peter provided a copy of the policy, which included employee theft coverage. He has requested quotes for a \$250,000 stand-alone fidelity bond from State Farm and Farmer's. He added that there was additional employee theft coverage available as an endorsement for the Association's Business Owner policy that would cover SRG. Such an endorsement would cost \$226 for \$250,000 in coverage. Bob Strong told Peter that he does not feel it is necessary to have a stand alone fidelity bond policy as the company would be covered under this format. The annualized cost for the current \$50,000 employee dishonesty in the policy is \$67. To increase this coverage to \$250,000 would be \$236 and \$500,000 would be \$530. Fred responded that in his experience, this type of endorsement does not work, but he has not carefully reviewed the policy. In general, he did not feel the Association should be providing the insurance coverage for the management company, since the Association has no control over who is hired and the Association would be bearing the cost. He said the Association needs to have some sort of guarantee that if there is loss of their money, they have the ability to collect it independent of the management company. Peter pointed out that if he agreed to get a fidelity bond, it should only have to cover the amount of funds that the management company handles for the Association, which is less than \$250,000. He noted it would be an operating cost for his company, and the renegotiated management agreement is for three years, so he could potentially end up working for less than before, which would not be a good business decision. He is waiting to find out what the cost for the fidelity bond will be. If it is reasonable and can be spread across all Associations, it is a

moot point. Bottom line, there is not a signed management contract until this issue is resolved.

Fred said the management fee for January needed to be set. Peter proposed approval of the new rate, as the staff has been working very hard and has earned it. The new rate would go from \$1,339 to \$1,382 effective January 1, 2007. Fred Davison made a motion to approve the increased management fee (\$1,382/month) for the months of January and February 2007 subject to the completion of negotiations on the proposed new management contract. Larry Glover seconded and the motion carried.

## VII. NEW BUSINESS

### A. *Cinnamon Ridge II Use of Cinnamon Ridge III Hot Tub*

Kevin Lovett said he had been approached by a representative of Cinnamon Ridge II about establishing an agreement allowing Cinnamon Ridge II owners and guests to use the Cinnamon Ridge III hot tubs in exchange for some fee. It was noted that it would increase wear and tear and there could also be potential liability issues. Peter Schutz said that while he was not endorsing any type of arrangement, there are only twelve units in that complex and only two are rented, so the percentage increase of utilization would be minimal. Ray Yelle thought this should be discussed at the Annual Meeting with the owners. He felt if the other Association was willing to pay enough to fund complete replacement of the tubs in the future, the owners may be willing to enter into some type of agreement. Kevin said the annual operating costs were about \$9,000. Peter suggested informing Cinnamon Ridge II that the Board conceptually would be looking for a *pro rata* share of the annual maintenance cost, a contribution to the Replacement Fund toward the replacement of the tubs in future years, and all units would be required to participate. Kevin calculated capital expenses for the tubs would be about \$50,000 over the next ten years, excluding repair of the dry rot. This equates to a \$147/year/owner contribution to the Replacement Fund, or \$400/owner/year including operating costs. It could be worthwhile for this Association if Cinnamon Ridge II would pay \$1,000/unit/year.

After further discussion, the Board consensus was that an agreement for use by outside Associations could potentially cause more problems than it would be worth. Fred Davison made a motion to communicate to Cinnamon Ridge II that the facilities are not large enough to accommodate an additional twelve units so the Board is declining the request. Larry Glover seconded and the motion carried.

### B. *Hot Tub Covers*

An owner proposed a softer, lighter weight cover that would be easier to remove. Soft covers have been used in the past and they only last about one year. Other options might be a cover that rolls back or a light bubble cover for use during the day. The Board ultimately agreed not to take any further action and that Kevin

will have Johnny or other staff members suggest to any hot tub users on techniques to handle the current covers.

*C. Association Insurance Policy*

Larry Glover asked if a copy of the policy had been provided to every owner. Kevin Lovett said Farmer's prefers that all owner inquires be directed to their office.

*D. Snow Guards for Building B Back Side*

Larry Glover asked if they should consider adding snow guards on the back side of Building B. Kevin Lovett said he was under the impression that the Board wanted to wait to determine how the new snow guards that were recently put in place functioned. There is \$1,300 budgeted in 2007 for snow guards. Kevin will obtain bids for additional snow guards.

**VIII. SET NEXT MEETING DATE**

The next regular Board Meeting was scheduled for Saturday, April 14, 2007 at 9:00 a.m.

**IX. ADJOURNMENT**

With no further business the meeting was adjourned at 11:10 a.m.

Approved By: \_\_\_\_\_

Board Member Signature

Date: \_\_\_\_\_