

**TIMBERLINE COVE
ANNUAL MEETING
SEPTEMBER 17, 2011**

MINUTES

1. **Call to Order.** The meeting was called to order at 10:09 a.m. by President George Hart.
2. **Attendance and Quorum.**
 - A. 13 owners representing 14 units were in attendance. In addition, 9 proxies were received and a quorum was established.
 - B. Representing Mountain Managers were Phil Wells and Greg Denckla.
3. **Approval of Minutes from the 10/2/10 Annual Meeting.** A motion was made, seconded and passed unanimously to approve the minutes as written.
4. **President's Report.**

George explained that the Board meets quarterly and also conducts business via e-mail throughout the year. HOA business is on-going (snow removal, landscaping, painting, recycling, etc.) and keeps the Board busy making sure everything is running smoothly. He feels the Annual meeting is primarily for owners and while some official business will be conducted along with review of the financials, this is an opportunity for owners to voice their opinions, ask questions, etc.

Thanks were expressed to Board Members Jessica Bergan, Robert Levin, and Duane Abbott for all their help and hard work. It was noted that Robert has since sold his unit and is no longer on the Board.

George stated that Mountain Managers has been doing an excellent job both on the physical property management side and with financials. Problems that arise are small and corrected with a phone call. Staff members are very responsive to owners as well as to the Board.

There have been some building improvements/maintenance done such as repair of the garage doors, general cleaning, work on the hot tubs, etc. Hot tubs are run on an alternating schedule and temperatures are kept low at night to discourage use after hours. (More discussion on hot tubs will take place later in the meeting.)

The financial picture is looking pretty good. The HOA is only going into year 5 and is fairly well funded. Painting will take a lot of money out of reserves. The operating budget has come out ahead for the last couple of years and any surplus is put into reserves. A small assessment may be needed for painting but it will not be necessary to assess for the full amount.

When Robert sold his unit, Ed Chang stepped up and volunteered to fill the Board vacancy. His willingness to serve is very much appreciated. Ed was the original developer of Timberline Cove and owns 6 units. When issues arose with CFC (builder), Ed was instrumental in helping get all items addressed. His term is up this year and he will be running for re-election. Jerry Frazee closed on his unit last week and the remainder of his Board term will need to be filled when elections are held.

George asked all owners to introduce themselves giving their names and unit numbers.

5. **Repair and Maintenance Report** was reviewed by Phil Wells. The report covered the period of 9/10 through 7/11 and listed completed items over \$500. Items included repair of leaking sprinkler heads, replacement of the heat exchanger on the north hot tub, annual inspection of the fire alarms, planting of shrubs and trimming of trees/shrubs, and reimbursement to Duane Abbott for purchasing lawn furniture, a grill, and some art work for the lobby area.

Sprinkler heads are prone to leaking and this is an on-going maintenance issue. Owners are asked to call Mountain Managers right away if they notice any problems with sprinkler heads. It was noted that the liquid is glycol and it will stain carpets if not removed quickly.

Sprinkler heads are checked for any obvious leaking when security checks are done. In addition, heat is checked along with windows and doors. It was explained that during this past winter Mountain Managers caught between 30 and 50 units on the properties they manage where there was no heat, windows were left open, etc. Catching these items early prevents freeze-ups and can save the Association a substantial amount of money. Security checks are covered under Mountain Managers' contract and owners who do not live in or rent their units on a regular basis are encouraged to take advantage of this service. Thermostats should never be set lower than 50-55 degrees during an owner's absence.

Questions were asked on insurance. It was explained that Mountain Managers' insurance policy covers all the HOA's it manages. Premiums have stated the same on the master policy for 2 years since the loss history is down. Security checks are a good example of preventative measures taken to keep loss history low. Individual HOA's that experience a loss will see a rise in their premium.

A question was asked on the grill in the common area and whether or not there is a spare propane tank available. There is a 2nd tank stored in the storage room off the boiler room. This will be moved since it is not a good idea to store propane inside. Mountain Managers will find an outside location that is accessible for owners. Owners with extra propane tanks were cautioned not to store these inside units.

It was suggested that the common area grill be converted to natural gas. This is something to think about and Mountain Managers will look at it and get an estimate if it looks feasible.

6. **Financials.**

- A. July financials and year-to-date numbers were reviewed. Dues income was noted as \$1,695 below the budgeted amount but this has been paid and next month's figures will show a positive number. It was explained that "other income" was the refund of the HOA's Xcel deposit (\$9,902).

On the expense side, most items were under or close to the budgeted amount with a couple of exceptions. Snow removal was over budget. The HOA has a "per plow" contract versus a set monthly fee. This past year was a big snow year requiring many plows. No hauling off of snow was necessary (budgeted for \$1,500). The

elevator expense was also over budget due to service calls. The elevator is in an external environment and the oil needs to be kept warm. When the temperatures drop, problems can occur. There were some service calls the HOA felt should have been covered under the agreement. Some money was refunded and the HOA has now negotiated a better agreement. In addition, a policy was adopted previously that bans any service calls being made after hours or on weekends except for emergency Board approved situations such as the need for handicap accessibility. It was noted that if someone gets stuck in the elevator, the fire department will get them out and a service call is not made. If the elevator goes down over a weekend, a sign is posted stating "out of order – service call placed".

Questions were asked on whether a new gas rate had been locked in with Tiger Gas. Mountain Managers negotiates the rate for several complexes and pre-buys gas at a favorable rate. This has not been done yet but will be done soon. The Board will be advised of rates, etc.

The balance in the checking account was \$43,532.26 and the money market account balance was \$47,273.10. \$9,000 (\$750 per month) goes into reserves. One owner noted this seems low (to be discussed later in the meeting). Any government guaranteed loan wants to see 10% of total income going to reserves. For Timberline Cove, this should be about \$16,782 per year,

The HOA's funds total about \$90,000. 1.5 to 2 months of expenses need to be maintained in the operational account. The rest could be put into reserves but by law, once the money goes into reserves it cannot be used for day-to-day operations. The HOA is not losing any money by retaining funds in the operations account since money market interest rates are extremely low. The annual insurance premium payment is coming up (due 11/1 each year).

- B. The 2012 Budget was looked at using the comparison sheet (2011 vs. 2012). Income is based on a 2.5% dues increase which will increase income by \$4,100.

Expense items were listed with an explanation of how the numbers were arrived at. Any anticipated increases are per contract or based on expected increases. Insurance is budgeted with a 2% increase. It is hoped premiums will not go up but the money is budgeted if needed. Total expenses for 2012 are budgeted \$7,331 lower than in 2011.

With income projected at \$167,829 and expenses at \$151,078 the cash flow will be \$18,742 with a net of \$742.

The floor was opened for questions:

Were windows cleaned? Yes – done in July. Only exterior windows that can't be reached from inside the unit are done on an annual basis. It is too expensive to do all exterior windows (more than double the amount). It was noted that this is an HOA expense and does not seem fair to 1st floor units who get no windows cleaned. It was resolved to add 1st floor units to the window cleaning limited to the same set of windows that upper floors have cleaned. This should not increase the cost by a substantial amount.

Are decreasing market values correlating with expenses (i.e. will insurance go down). It was explained that the cost to rebuild has not changed that much. Insurance companies look at the cost to rebuild, not the actual market value of a unit. With Mountain Managers' blanket policy, coverage is not an issue. The policy coverage is \$250,000,000 and is not building specific. This will cover total replacement, code upgrades, etc. The only way any problems would arise is if the entire county burns to the ground at one time. There is no way individually to max out coverage.

Should attic vents be covered in case of fire? During the California fires, cinders got into attic vents and caught fire. Mountain Managers will look at this issue.

Property values have held up much better in Summit County versus other resort counties in the mountains and Frisco is doing pretty well (down 12-15%). Frisco is pretty much built out and buyers who want to live in Frisco generally have to buy something already built.

The 10% budgeted increase in gas was asked about. It is hoped this will not happen but Tiger Gas stated last year that because of the mandatory change to natural gas, they expect gas to triple. This has not happened yet but it will come. Rates can be locked in for the entire year and Mountain Managers is waiting to see what the best rate will be. If the rate is too high, the HOA could elect to take a chance and float.

The dues increase of 2.5% averages out to about \$12 per unit (some higher, some lower). Dues are reasonable for Frisco and are right in the middle of other HOA's based on square footage. Dues payments cover gas, cable, management fees, elevator, amenities, etc. The cost is extremely reasonable when compared to what you'd pay for a single family home. The dues increase is a hedge against inflation. Regular small increases will build up income so when inflation hits you won't have a big increase just to keep up. Small increases keep the HOA ahead of the game.

- C. MCR (Reserve Study). This is a projection of long term/short term capital expenses and includes each item's useful life, remaining life, replacement cost, amount needed to be 100% funded, etc. No one is 100% funded. 40% is considered very good. In order to be 100% funded, Timberline Cove should have \$211,000 in reserves which would require an annual contribution of \$58,681.

Expenses for 2012 were discussed and include: Gutters and heat tape (will only be done if needed), painting (eliminating painting of the breezeway will lower cost by \$7,500), siding repair (may not be needed), point up of stonework, painting of hallways and bathrooms, and crack filling of asphalt (important to do every year to prolong the life of the asphalt), replace step risers (probably will not need to do this), hot tub covers (they only last about 2 years due to abuse/water logging, etc.).

There was a question on \$15,000 for Trex – this may be a bad number/life expectancy. The MCR is reviewed every year and numbers are adjusted as necessary.

Projected MCR expenses are \$53,730. A \$30,000 assessment was included in the MCR which may or may not materialize depending on actual expenses. Funding is in pretty good shape and even if the entire amount is spent, \$44,000 will still be in the reserve account. The Board will make any assessment decisions at a later date.

An assessment may be necessary to rebuild reserves but it probably will not be as much as \$30,000. All funds are taken into account when determining an assessment (operational account as well as reserves). The HOA does not want either the operational or reserve account to slip too low. Owners were reminded the HOA insurance deductible is \$5,000 which can deplete funds quickly.

Questions were asked on painting. All contractors were given a specification sheet so all would be bidding the same thing. The prep work is the most important part of any painting project and this is specifically spelled out on the spec sheet. The specifications are very thorough and Mountain Managers has noticed an improvement in painting jobs since the spec sheet was initiated.

Painting should be done every 5 years. If delayed, wood will start to deteriorate resulting in higher cost for siding repair. Semi transparent stain is currently being used and will be used again. When painting is due again it will probably be necessary to change to solid stain. After about 10 years using semi transparent stain, the wood begins to darken and does not cover very well.

Eliminating painting of the breezeway was discussed at the last Board meeting. This will allow for about a 15% savings. Painting should not take longer than a few weeks to complete and painting equipment should not be at the complex for the entire summer. It is hoped painting can be accomplished prior to the 4th of July. If the painter's schedule will not allow for this, it can be put off until mid July.

At least 6 months notice will be given to owners on the painting assessment and it may be possible to spread this out over several payments.

A motion was made, seconded, and passed to approve the 2012 budget with the 2.5% dues increase.

7. **Old Business.**

- A. Dryer vent cleaning will be done every 2 years. The first couple of feet are the most important since this is closest to the heat source and can be a fire hazard if clogged with lint.
- B. Fireplace inspections have been completed this year and will be done every 3 years.
- C. Recycling: Garbage is being thrown in the recycle bins which contaminates the entire load. In addition, boxes are not being broken down and are being tossed in with all the Styrofoam still inside. People then throw garbage on top of the boxes, crows are attracted and make a real mess by tearing open the garbage bags. The recycle bins state what may be disposed of. While it is understood the information may be covered with snow in the winter, all owners are asked to be mindful of what

they put into the bins. Recycling is "single stream" but there are still some restrictions. If you inadvertently through out something not allowed (yogurt containers, milk bottle tops, etc.) this will not contaminate the entire bin and will be caught during mechanized sorting. The only thing that totally destroys your efforts is garbage (organic materials). This results in the entire bin ending up in the land fill. Adding some signage was talked about but it was not felt this would help. People who recycle are considerate; those who don't care won't pay any attention to another sign.

8. **New Business.**

- A. Hot tubs were discussed at length. There has been considerable down time with the one operational hot tub. The other tub has been shut down because it needs a new boiler (\$15,848) and funds are not available at this time. Ideally, both tubs would be operational with alternating "up" and "down" time. If one goes down, the other would be available. Replacement of the tubs has been discussed and it was a Board decision not to spend the money on repairing the other tub and to hold off until replacement was feasible. If the one tub goes down, this decision may have to be made sooner rather than later. Replacement tubs are expensive. To get rid of the 2 old tubs (fill in vs. extract) and put in a commercial grade, self contained, above ground tub, you would be looking at about \$30,000. This price does not include any landscaping, etc. that may have to be done.

The majority of owners in attendance felt that having hot tubs was an asset to the complex and asked how much it would take to get the existing hot tub fixed. An assessment in the amount of \$500 per unit would probably be necessary. It is not possible to do both the hot tub and painting without an assessment. It was noted that if you're going to spend \$15,000 to fix a hot tub no one really likes (loud, jets not very powerful, uncomfortable), it might be better to assess enough for the new tub. This is something that will need to be done down the road anyway so why spend \$15,000 now and more later. Two new above ground tubs could also be considered vs. one large one. An assessment could be spread out into several payments. Many owners would like to pursue this and are willing to pay the assessment. It was resolved that Mountain Managers will proceed with getting contractors to look at the project, make an assessment, and submit a bid. Information to be obtained will include what it will take to fill in the old tubs, whether or not 1 large or 2 smaller new tubs would be best to set over the old ones, and the cost. Information to be obtained as soon as possible and forwarded to the Board. Once the Board has all the information, they will make a decision on how to proceed.

- B. Last year \$1,700 was spent on fire sprinkler head repair. This is an on-going expense for any sprinklered building. It would be very expensive to try and go in and adjust every single head and there would still be no guarantee that leaks will not occur.

At this time (12:15 p.m.) the meeting recessed for a lunch break. George had asked a realtor to come in and talk about the market in Summit County. Lana spoke to the membership during the break in the meeting and answered questions. In summary, Lana noted that countywide, there has been a 23% price decrease from peak. The average sale price in Frisco is \$376,648, 18% down from peak. There have been two recent sales at Timberline Cove and another unit is under

contract. The two sold units sold at 95% and 90% of list price. Questions were asked on the shadow market (owners who may want to sell but have not listed due to the decreased prices). There is not too much pressure to sell since there is a rental market that can be utilized until prices go back up. Owners have the option to rent rather than to sell at this time. Inventory is down. In week 37 there were over 2,000 listings last year. There are 1,700 for the same period this year. There is now enough data to document the market change. It was hard to set prices a year ago but there are comparables to go by this year. It's still not a seller's market but there always seems to be a market for unique properties like Timberline Cove.

Summit County was originally projected to be built out by 2013. Construction has decreased substantially so this may not hold true. Prices will go up when build out is complete and there is no more land to build on. When this happens, people tend to try to go up but there is a height restriction (Timberline Cove is about as high as you can go). Of course, there is always the possibility of a variance being granted.

Lana was thanked for taking the time to come to the meeting.

The Annual meeting re-convened and the regular agenda was resumed.

9. **Election of Officers.** There were 2 positions open on the Board. Ed Chang's term was expiring and he agreed to run for re-election (3-year term). Another Board member is needed to fill the remainder of Jerry Frazee's term (unit sold) which expires in 2013. Susan Bond stated that Sky Yost was interested in serving on the Board (Sky was not at the meeting). It was noted that Ski could be put on the ballot and if she was elected she could decline and the Board would then appoint someone to fill the vacancy.

Ed Chang and Sky Yost were duly nominated and a motion was made to elect both to the Board by acclamation. The motion was seconded and passed unanimously. Ed Chang will fill the 3-year term and Sky Yost will fill the remainder of Jerry's term (expires in 2013). (Subsequent to the meeting, Sky accepted the Board position.)

10. **The Next Annual Meeting** will be held on September 22, 2012, 10:00 a.m. at the same location. Phil pointed out that conference call capabilities are available at Mountain Managers' offices. It was felt that the office space may be too cramped if more people attend the meeting.
11. **Adjournment.** There being no further business, a motion was made and seconded to adjourn the meeting at 12:45 p.m.

Respectfully submitted:

Judy Freese, Recording Secretary (minutes prepared from a tape recording of the meeting along with notes taken by Greg Denckla)

APPROVED:

Approved via e-mail

12/1/11

Jessica Bergan, President

Date

BOARD MEETING
(immediately following annual meeting)

The Board met briefly following the annual meeting to elect officers. After discussion, Jessica Bergan will serve as President for the coming year and George Hart will be Vice President.