



SPANISH PEAKS OWNERS ASSOCIATION

Minutes of Board of Directors Meeting October 25, 2011

Notice of the meeting was waived by unanimous consent of the board. The meeting was held via telephonic conference.

Board Members present in person or by telephone: James J. Dolan, Karen Roberts, W. Dean Genge

A quorum was established with 3 board members present at 3:00pm MDT

Mr. Dolan, as Chairman, called the meeting to Order.

Old Business:

1. Approval of the minutes of the October 10th meeting

New Business:

2. The board reviewed and discussed the draft FY 2011 – 2012 budget prepared by the association manager. The manager will revise the budget based on today's board discussion and circulate revised budget for ratification.

Revised budget, and board actions include:


- i) **Reserve Funding:** The board approved a contribution to the reserve fund of \$200,000. This is a reduction from the Reserve Study recommendation of \$265,000 based on the anticipation of lower expenditures than were planned for in the 2008 Reserve Study, due to slower development progress than anticipated by the original Reserve Study. The recession and the bankruptcy have delayed the development progress about 3 years behind the assumptions in the Reserve Study. The board will consider commissioning an update to the Reserve Study after the development's future is defined following the closure of the bankruptcy case.
- ii) **Assessment Increase:** The board approved an assessment increase of \$ 225 per property. With the loss of the voluntary developer subsidy of \$118,000, the assessment impact would have been an increase of \$489 per property. The developer subsidy was 19% of the prior year's income. That income line item went to zero in the proposed budget. The association manager identified savings through a combination of expense reductions in security service, snow removal, landscape maintenance, G&A, and management fees. There is an offsetting increase in professional fees for legal representation (\$10,000) and an allocation for bad debt (\$ 60,236) that, when combined with the savings, results in a recommendation to increase the assessment by \$225 to a total of \$ 2,750.

- iii) **Bad Debt From Delinquencies:** The board authorized a reserve allocation for bad debt from delinquent property owners. The board discussed the number of delinquencies and the extensive steps taken this past year to collect on these balances. A monthly delinquency report will be provided by the manager and reviewed by the board. The total delinquency amount beyond 60 days is approximately \$205,000 associated with 31 properties (62 percent or \$130,000 of which is owed by six property owners). Properties delinquent over 90 days have liens placed and efforts to collect these balances continue.
- iv) **Snow Removal Bids:** The board discussed the three snow removal bids received by the manager. The lowest bid was lower by approximately \$50,000 and \$60,000 respectively than the other two vendors, and is recommended by the manager for having the best price, best equipment and best staff. The board accepted the K7 bid, pending completion of reference calls. The manager is to prepare a contract for board review.
- v) **Big EZ HOA:** The board noted that, per prior written agreements, the Big EZ HOA pays to the Club at Spanish Peaks an annual contribution for maintenance of roads controlled by the SPOA (current fiscal year \$10,250.50), which the Club in turn pays to the SPOA. This structure was part of the agreement with the Big EZ HOA executed in 2008. Given the Club's bankruptcy filing, this matter will need to be reviewed and appropriate steps taken to collect and process the payment.
- vi) **Cash Flow Shortages:** Member delinquencies and seasonal imbalances in expenses will cause cash flow shortages in Q1 and Q2 2011 - 2012. Required funds to cover expenses will be drawn from the Transfer Fee Fund, and repaid to the fund from Q3 and Q4 excess cash flow and when delinquent accounts are recovered.
- vii) **ARC Compliance Deposits:** ARC compliance deposits have historically been carried as an asset in the operating account and itemized as a liability. The board instructed the manager to remove the compliance deposits from the operating account, create a separate Compliance Deposit account on the balance sheet, and continue to show the itemized liability.
- viii) **Forestry Management Plan:** The Board approved an allocation of \$10,000 of Transfer Fee Funds to fund an update to the Forestry Management Plan by Northwestern Management and a recommendation to the board this winter for program activities for next spring and summer. The board believes it is imperative to continue an aggressive forestry management process to preserve the aesthetics and value of the members' property.
- ix) **Posting Delinquencies:** The board approved posting delinquencies over 60 days to the SPOA web site, and reporting delinquencies to credit rating services.
- x) **Continuing Requirement to Comply with all ARC and CCRs:** The board determined to add content to the SPOA web site to emphasize to members the continuing requirement to comply with all ARC and CCR requirements and to educate members on the Reserve Study and the requirement to maintain the Reserve Fund.

- xi) **Bankruptcy of the Club at Spanish Peaks:** The board discussed the trustee's role in the bankruptcy of the Club and related companies. There was a discussion regarding the interaction of these entities with the SPOA. The board discussed the proposal and concept of having the SPOA work with the trustee to provide limited ski access services over the coming winter. To date, no communication has been received by the SPOA from the bankruptcy trustee.
- xii) **Limited Winter Ski Operations:** The board authorized a representative to approach the bankruptcy trustee regarding the SPOA assisting in establishing a limited winter ski service. This was mentioned in the board letter to members of October 21, 2011. The board will update members regarding this conversation.

Date and time of next Board Meeting – Not scheduled at this time.

Mr. Dolan then asked for a motion to adjourn the meeting. Mr. Genge so moved and the motion was seconded by Ms. Roberts, and the meeting was adjourned at 4:35pm.


W. Dean Genge
Secretary for the Board

10/28/11

Date