

# **PRELIMINARY DRAFT**

## **Budget Ratification Meeting Minutes**

Steamboat Grand Resort Hotel Condominium Association, Inc

April 3, 2009

4:00 PM at the Creek Conference Room

### **Board Members**

*Present:* Joe Fogliano, Mike Lomas

*By Phone:* Greg Magee

*Others Present:* Kevin Gilman of AAAA; Stacy Huffman of SSRC

### **Proceedings**

The meeting was called to order at 4:00 by the President.

A quorum was not required.

Notice of meeting was provided by mail on March 20, 2009.

The meeting began with introductions of those present. Joe Fogliano went into a review of the negotiations with Ski Corp that took place over the last year. A super majority of the owners voted to approve the negotiations in September and the changes were completed in December. The biggest impact was to reduce the garage mortgage principle balance by 50% and to reduce the interest rate from 10.25% to 7.0%. These savings will be used to keep the property in first class condition. The dues will remain the same in the new year as they are in the current year, whereas the need for property improvements would have required a dues increase.

Kevin Gilman began the budget presentation with an overview of the meeting's objectives. The Executive Board has approved the budget and this general membership meeting is to review the budget and ratify it. If the members reject the new budget, the prior year's budget will be used.

He continued with a brief explanation of the need for a Common Facilities Budget and a second Residential Unit Budget. Each budget will be reviewed and vote on separately. Both budgets were developed by projecting how the current year will end, determining which line items will continue on the same path and which line items have had significant changes. The budget presentation will use three columns, the proposed budget, the prior budget and the projected current year results.

### **Common Facilities Budget**

The Common Facilities Budget is funded by both residential and commercial unit owners, since items contained in the budget benefit both groups. The first significant change is that less units are sharing in the budget because the fitness center and adjacent restaurant have been converted to common elements. Since there are less units funding the budget, the assessment revenue had to be decreased in order to keep the dues the same as the prior year budget. Funds set aside for future replacements were increased by 20%. Interest income is budgeted much lower to reflect current market conditions. Parking revenue will now go to Ski Corp as part of the agreement to

reduce the garage mortgage. This agreement will end after three years and the parking fees will revert back to the Association.

On the expense side, Ski Corp's management fee increased because the underlying expenses that generate the 10% fee increased. Legal fees are budget at \$24,000, versus \$12,000 last year. This change was based on our experience over the last year. Bad Debt is a new line item because of the deteriorating economy. A graph showing the trends in collections from owners was discussed, and a copy is attached. Although there are signs of deterioration, there has not been a dramatic change. This was followed by a discussion of the collection policy and philosophy.

Building Maintenance is higher than last year because the run rate over the last several years has shown steady increases as the property ages. The Grounds Maintenance contract is being evaluated, with anticipated savings. Lobby Cleaning is coming in much lower this year than budgeted due to changes implemented during the year, and the new budget has been reduced accordingly. Snow Removal had previous been budgeted based on an average of the last several years, but for two years in a row the snowfall has been dramatically above average, and the new budget reflects that.

The changes to the parking garage mortgage previously discussed resulted in a savings of \$518,569 per year. As part of that agreement Ski Corp gave the fitness center to the Association, and it was converted to a common element. As such, the expenses of operating the fitness center have been moved from the Residential Fund to the Common Fund. This cost is less than last year because it no longer includes dues or property taxes. Funds being set aside for future replacements were increased from \$168,000 to \$198,000. The need for a replacement reserve analysis was discussed, and any owners with expertise in this area are encouraged to volunteer.

Electricity is budget down slightly dues to anticipated lower occupancy. Natural Gas is budgeted based on the current price of gas, which has not come down from the commodity spike last summer.

The overall impact of the proposed Common Facilities Budget on the inception to date Common Fund balance was discussed. The only Replacement Reserve project planned for the upcoming year is to replace the carpet in the lobby.

***Motion:*** Sharon Evans moved to approve the Common Facilities Budget as presented.  
Donald Covaleski seconded.  
Motion carried.

### **Residential Unit Budget**

The Residential Unit Budget is funded only by residential unit owners since items contained in this budget only benefit the residential units. Assessment Revenue remained the same so the dues will not change. Interest income is budgeted much lower to reflect current market conditions. Estoppel fees are not a significant part of the budget, but a graph was presented showing residential unit sales per year, and a copy is attached. Locker Rentals were not budgeted last year as an oversight, and are included in the new budget. The Owner Reservation

Fee is coming in much higher than budgeted this year, and that increase is reflected in the new budget.

Administrative expenses are budgeted very similarly to last year. Unit Maintenance expenses are coming in higher than budgeted, primarily because of appliance repairs. That trend is anticipated to continue. Funds being set aside for future replacements are budgeted to increase by \$174,135.

The Front Desk expense and the Shuttle expense are now combined on one line, to match the way Ski Corp is billing the Association. The cost of the Fitness Center has been moved to the Common Facilities Budget.

Electricity is budgeted down slightly due to anticipated lower occupancy. Natural Gas is budgeted based on the current price of gas, which has not come down from the commodity spike last summer. Cable TV, Telephone, Water & Sewer and Wireless Internet utilities are unique to the Residential unit budget because they are not provided to commercial units. Cable TV increased to include the cost of buying out the Comcast contract next fall, in order to obtain more high definition programming. Telephone decreased because Ski Corp owns the phone system and a part of last year's negotiations they agreed to reduce the lease amount. Water & Sewer and Wireless Internet are essentially unchanged from the prior budget.

The overall impact of the proposed Residential Unit Budget on the inception to date Residential Fund balance was discussed. The Replacement Reserve projects scheduled for the upcoming year include purchasing the hardware necessary to upgrade the TV signal, finish the re-carpeting of residential units and the owners lounge, and replacing couches and chairs in the units.

**Motion:** Richard Danter moved to approve the Residential Unit Budget as presented.  
Michelle Schiau seconded.  
Motion carried.

**Motion:** A motion was made and seconded to adjourn the meeting.  
Motion carried.



## Steamboat Grand Common Fund

	New Budget Operating Fund 2010 Fiscal Yr	Old Budget Operating Fund 2009 Fiscal Yr	Percentage Change	Estimated Operating Fund 2009 Fiscal Yr
<b>Revenues</b>				
Assessments - Operating	1,588,236	1,662,541	-4.5%	1,662,542
Assessments - Reserves	187,800	150,000	25.2%	150,000
Interest	19,195	44,400	-56.8%	18,843
Parking Fees		100,000	-100.0%	44,110
Late Fees	5,140	5,818	-11.7%	3,293
Lease Revenue	36,000	36,000	0.0%	36,000
Miscellaneous Income	41,140	41,818	-1.6%	39,293
Total Revenues	<u>1,836,370</u>	<u>1,998,759</u>	<u>-8.1%</u>	<u>1,914,787</u>
<b>Expenses</b>				
Management Fees	104,357	76,363	36.7%	80,565
AAAA Contract	19,543	18,752	4.2%	19,339
Legal Fees	24,000	12,000	100.0%	212,828
Insurance	89,342	90,065	-0.8%	90,065
Security	45,360	45,360	0.0%	45,360
Bad Debt	4,860	-	0.0%	10,487
Admin Exp	14,343	11,810	21.4%	8,941
Misc Admin	19,203	11,810	62.6%	19,428
Administration	197,448	177,987	10.9%	387,020
Building Maintenance	347,698	296,739	17.2%	338,661
Grounds Maintenance	31,666	42,000	-24.6%	39,382
Lobby Cleaning	128,444	159,657	-19.5%	123,301
Snow Removal	185,000	106,000	74.5%	181,550
Maintenance	692,808	604,396	14.6%	682,894
Parking Garage	247,113	765,682	-67.7%	300,185
Fitness Center	180,000	-	0.0%	-
Replacement Reserves	198,675	168,000	18.3%	159,614
Electricity	114,883	116,782	-1.6%	124,812
Natural Gas	101,086	89,549	12.9%	97,119
Utilities	215,969	206,331	4.7%	221,931
Total Expenses	<u>1,836,370</u>	<u>1,998,758</u>	<u>-8.1%</u>	<u>1,832,209</u>
Change in Fund Bal	<u>-</u>	<u>-</u>	<u>0.0%</u>	<u>82,578</u>
Beginning Fund Bal	329,504			171,322
Change in Operating Fund Balance	-			82,578
Replacement Reserves Additions	198,675			159,614
Replacement Reserve Expenditures				
Roof Ice Melt				(84,010)
Lobby Carpeting	(140,275)			
Ending Fund Bal	<u>387,904</u>			<u>329,504</u>

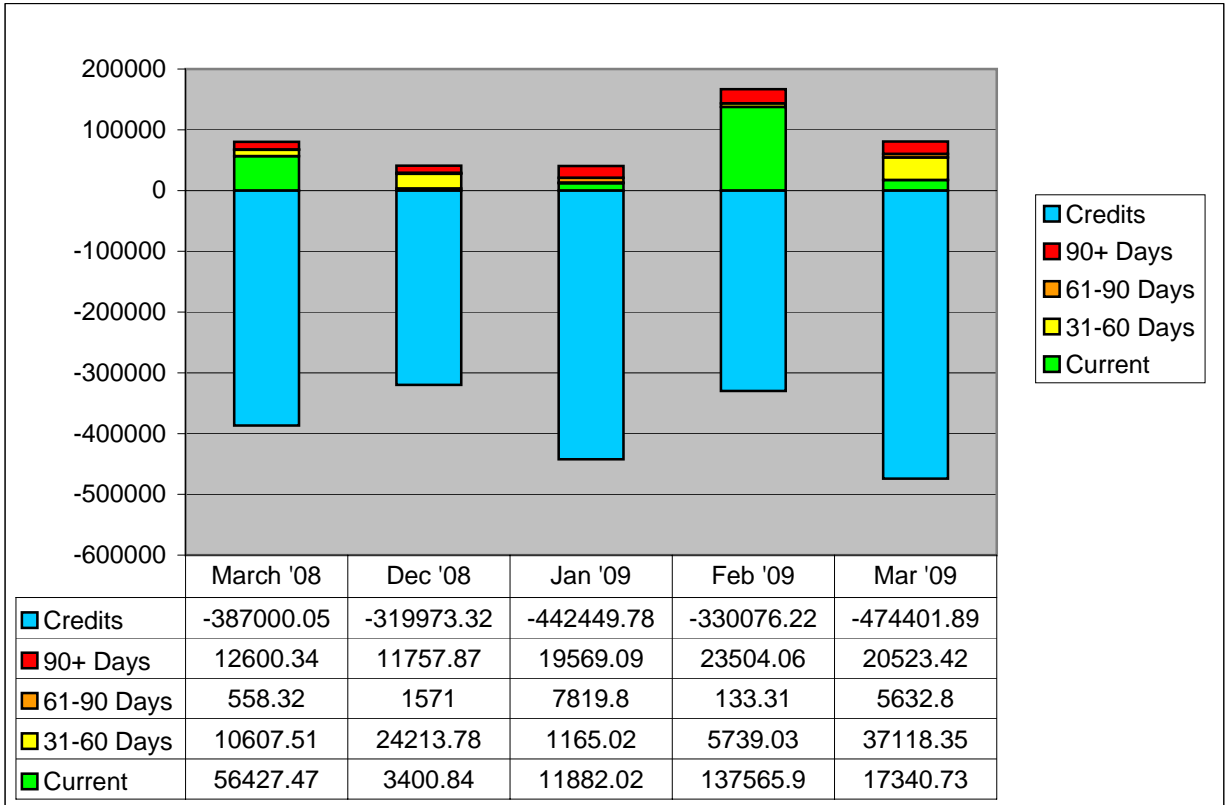


## Steamboat Grand Residential Fund

	New Budget Operating Fund 2010 Fiscal Yr	Old Budget Operating Fund 2009 Fiscal Yr	Percentage Change	Estimated Operating Fund 2009 Fiscal Yr
<b>Revenues</b>				
Assessments - Operating	1,538,796	1,721,796	-10.6%	1,721,796
Assessments - Reserves	483,000	300,000	61.0%	300,000
Interest	17,175	36,000	-52.3%	16,193
Late Fees	4,078	5,890	-30.8%	3,673
Estoppel Fees	1,200	3,000	-60.0%	1,125
Locker Rentals	6,200	-	0.0%	6,200
Vending Commissions	1,629	1,800	-9.5%	1,744
Other Revenue	3,000	1,800	66.7%	3,056
Miscellaneous Income	12,029	6,600	82.3%	12,125
Owner Reservation Fee	43,090	30,000	43.6%	43,090
<b>Total Revenues</b>	<b>2,098,168</b>	<b>2,100,286</b>	<b>-0.1%</b>	<b>2,096,877</b>
<b>Expenses</b>				
Management Fees	34,359	34,956	-1.7%	33,671
AAAA Contract	139,869	131,819	6.1%	135,375
Owner Reps	82,800	97,000	-14.6%	82,800
Legal Fees	12,000	12,000	0.0%	7,366
Insurance	11,914	11,914	0.0%	11,914
Bad Debt	4,860	-	0.0%	7,153
Credit Card Fees	30,100	30,000		28,457
Admin Exp	6,235	6,000	3.9%	7,897
Misc Admin	41,195	36,000	14.4%	43,507
Administration	287,778	288,733	-0.3%	280,962
Maintenance	33,675	30,500	10.4%	32,180
Replacement Reserves	498,135	324,000	53.7%	313,947
Front Desk	140,065	120,750	16.0%	134,095
Health Club	-	217,000	-100.0%	216,998
Owners Club Lease	200,000	200,000	0.0%	200,000
Owners Club Operations	29,156	28,000	4.1%	26,682
Shuttle	-	13,400	-100.0%	-
Residential Amenities	369,221	579,150	-36.2%	577,775
Electricity	376,962	383,190	-1.6%	369,293
Natural Gas	331,689	293,834	12.9%	315,747
Cable TV	69,300	32,392	113.9%	32,394
Telephone	30,000	66,480	-54.9%	54,320
Water & Sewer	44,550	44,550	0.0%	44,955
Wireless Internet	22,500	22,500	0.0%	22,500
Utilities	875,000	842,946	3.8%	839,208
<b>Total Expenses</b>	<b>2,098,168</b>	<b>2,100,286</b>	<b>-0.1%</b>	<b>2,077,744</b>
<b>Change in Fund Bal</b>	<b>-</b>	<b>-</b>		<b>19,133</b>
<b>Beginning Fund Bal</b>	<b>349,329</b>			<b>919,212</b>
Change in Operating Fund Balance	-			19,133
Replacement Reserves Additions	498,135			313,947
Replacement Reserve Expenditures				
Televisions	(29,234)			(601,269)
Carpeting	(146,500)			(301,694)
Unit Furniture	(464,200)			
<b>Ending Fund Bal</b>	<b>207,530</b>			<b>349,329</b>



## Steamboat Grand Accounts Receivable Aging





— 2007  
— 2008  
— 2009

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