

**CHATEAUX CONDOMINIUM ASSOCIATION
BOARD MEETING
January 23, 2010
CHATEAUX CONDOMINIUM CLUBHOUSE
MT. CRESTED BUTTE, COLORADO**

Call to Order

The meeting was called to order by the Board President, Jack Patton, at 9:06 A.M.

Quorum Established

A quorum was established with 5 of 5 Board members present.

Board Members Present:

Jack Patton
Rory Baruth
Theresa Brooks
Bill Hoitink
Alan Adams

Management Company Present:

Danny Myers

REPORTS

Manager's Report

Danny reported that his transition as manager of the association from the previous company, Crested Butte Lodging (CBL), has gone smoothly. He is comfortable with the upkeep responsibilities of the property and has enjoyed meeting many owners.

Danny shared that a January news article reported CBMR's skier day numbers were off just 4% in December compared with 2008. While CBMR reported lodging occupancies down 8%, Crested Butte Lodging reports that occupancies at The Chateaux are pacing up 6% for this ski season compared to last year. Danny shared that a majority of guests at Chateaux so far have been church and ski groups.

The Board thanked Danny for the update-reports that he has been providing them on a regular basis and asked that the good communication continues.

Danny confirmed for the Board that the hot tub and pool have been operating well, with no problems to date with the new plaster finish. The filter upgrades this Fall have kept the sand out of the hot tub, which had been a problem during the summer. In replacing the filter sand, it was discovered that gravel had not been placed in the filters along with the sand as is recommended,

so that issue was also remedied. Regarding poaching of the pool facilities by non-guests, Danny reported that un-authorized use appears to have been minimal thus far. The pool code will be changed more regularly to further discourage poaching.

The Board discussed briefly the snow-shedding from the roofs. Danny reported that the 100 inches or so of snow through early January had not created any obvious roof issues. Much of the roof snow had melted or evaporated, and little of the remaining had shed. This past round of snow over the last week has led to a good deal of shedding, likely due to the layering of new snow on old, followed by un-seasonably warm temperatures. Danny will continue to monitor the roof snow and shedding so that damage from falling snow can be mitigated.

Financial Report

Earlier in the month, Danny had provided to the Board their normal monthly Income and Expense report, as well as a year-to-date report for the first 6 months of the fiscal year. The bottom line shows Chateaux saving \$27,000 thus far compared to our expected budget, with Danny anticipating further savings during the next 6 months. Substantial savings have been realized in Natural Gas usage (used to heat the pools and deck snow-melt) due to average snow-fall so far this season and close monitoring of usage. Significant additional savings have been seen in trash removal costs, again through close monitoring. By negotiating a lower fee for trash service starting in December, which was facilitated by the introduction of a competitor into the marketplace, The Chateaux will continue to see cost savings in this expense line. Danny also changed our receptacle to two 3-yard dumpsters (from the one 6-yarder), which will accommodate more garbage. If owners have difficulty accessing the new dumpsters because of the heavy lids, we can re-evaluate the change. We have also added a recycle bin to allow residents and guests to recycle glass, plastic, and aluminum.

Danny provided a detailed review of each expense line item that varied from budget (over or under) by \$1,000 or more. As some savings or overages are due to timing issues, Danny cautioned that the year-end numbers will provide the best indication of our financial position. It was noted that the bottom line surplus was aided by 2 un-budgeted revenue sources: a \$3,000 IRS refund and the return of a \$5,000 permit deposit from the '06-'07 Capital Renovation project.

Looking at the Balance Sheet as of December 31, 2009, The Chateaux had cash on hand of \$62,644, with Accounts Receivable of \$6,081, and prepaid insurance at \$4,503. Our Accounts Payable stood at \$17,200. Our beginning-of-the-year Operating Fund Balance was \$31,656, and our beginning of the year Capital Reserve Fund Balance was \$9,829. Our Net Income through these first 6 months is \$17,544, instead of the budgeted deficit of \$9,800.

In reviewing the Accounts Receivable, currently 6 owners are in arrears on their dues payments, though no one is over 3 months delinquent. Because a Homeowners' Association typically holds a priority lien over a first mortgage on just 6 months of un-paid dues, we will continue to monitor the Accounts Receivable closely to avoid being in an unfavorable financial position in the case of a unit-foreclosure issue.

Danny reported that the draft 2009 audit from McNurlin and Associates has just arrived. He will distribute it to all Board members for review prior to authorizing it to go final.

eBilling: 47 of the owners are currently receiving their monthly statements by e-mail, leaving just 13 that still have to be mailed. Regarding ePayments of monthly dues, the initial query to our bank showed the cost to outweigh the benefit. Danny noted that many owners have checks sent from their bank, which is an easy, stamp-saving option for owners.

OLD BUSINESS

Proof of Insurance

As of August 1, 2009, CBL had reported that just 25% of owners had provided their proof of unit insurance. As of January 2010, Danny has received proof of insurance from 41 of the 60 owners. During the next several weeks, Danny will contact the remaining owners to get their insurance information. The Board also asked Danny to investigate further the option of having a single agent offer group discounts.

Pet Rules

The new Pet Rule allowing owners to have one dog in residence from June 1 to December 1 was well respected this Fall. The Board decided to leave the rule as is for the upcoming summer. The rule will be re-evaluated in August. Danny felt that as long as a dog is not a nuisance and the owner cleans up after their dog, a rule allowing dogs for owners is fine.

Internet

Danny reported that he has received several complaints about the speed of the internet this season. On a couple of occasions, the system has had to be re-booted to re-optimize its operational capacities. For the most part, the internet access in the clubhouse has been adequate. Danny will investigate whether the DSL can be speeded up, or if an alternative like cable-fed or satellite-fed internet might offer faster service.

Marcellina Issues

Danny will keep in contact with Town regarding the weed issues and bear-attracting retention pond issue in the Spring. Regarding poaching of the hot tub by Marcellina residents, Danny reports few incidences or problems. He has also not seen use or abuse of the trash dumpsters. Marcellina residents have their own dumpsters and appear to be using them.

Chateaux Dumpsters

Regarding the non-working light, Danny will investigate sturdier options for a solar-powered light. No complaints have been lodged this winter regarding the dumpster area being too dark, though with the summer and bear-season approaching, light might become a more important issue. Regarding usage and messes, the trash company has responded well to extra pickup requests, and overfilling and ground-messes have been kept to a minimum. Guests periodically place garbage outside of the dumpsters, inviting birds to plunder and pillage, but the mess is short-lived and soon picked up.

Snow Removal

Pinnacle has done a quality job in keeping the drives and parking areas neat and graveled. Several bus drivers have voiced their approval. Danny will continue to work hard to keep the walkways clear and safe. Regarding roof snow removal, money is available in the budget to remove snow if needed. Danny will use his best judgment on whether natural shedding needs to be supplemented with manual removal.

Repair to the Driveway in the Spring

The asphalt installer committed last Fall to make any needed repairs this Spring free of charge. Chateaux will pay to have all the asphalt re-sealed to improve appearance and longevity, also in the Spring. Danny will discuss with the town bus department the possibility of having only one bus stop at Chateaux for the Summer, as the asphalt appears to receive extra stress at points where the bus comes to a stop.

Clubhouse Rental Policy

The current rate of \$60 for a 4-hour rental is not covering the cleaning and wear and tear on the space. After some discussion, it was decided that \$125 for a 4-hour rental, with proration up to a maximum of \$200 per day would be more appropriate for guests staying at The Chateaux. Use by owners would remain at \$60 per 4-hour rental.

Alan made the following:

- Motion: Revise the clubhouse rental fee schedule to be \$125 for a 4-hour rental by a Chateaux guest; \$200 for a full-day rental; and \$60 for a 4-hour rental by an owner.
- 2nd: Rory
- Vote: Unanimous approval

Other

The Board asked Danny to investigate expanding the slate tile entry areas in each building to beyond the firewood closet doors. This area shows the most dirt and grime from extra and dirty firewood-related traffic. Danny will also purchase a new CHATEAUX sign in the Spring, as the sign at the Marcellina Lane entrance was damaged at the start of winter.

NEW BUSINESS

Insulate Firewood Closets

Danny reported that he is insulating and walling the back wall of each un-insulated firewood closet this winter (half had previously been done). The insulation should reduce some of the cold air that makes its way into the hallways. All back walls should be insulated over the next couple of months. Danny will also look into the cost of putting 8-foot ceilings in the 4 closets that have yet to have this done.

Website

The Board discussed the option of making the Chateaux website more searchable, allowing it to be used as a marketing tool for the property in addition to its current primary function of making the legal documents and minutes easily accessible to owners and potential buyers. Alan shared that by making regular updates to the site and using words that are most likely searched for, it is more likely to show up in searches. Danny spoke to several local Condo Associations and found that they pay upwards of \$20,000 to website optimizers in an effort to increase their web presence and traffic. CBL appears to do a good job at marketing The Chateaux, though Danny will look into ways to enhance The Chateaux's presence in an effort to assist owners who rent or who are looking to sell their condo.

Electrical Grounding Issue

Crested Butte Electric recently recommended adding some grounding lines to the electrical system of each building. Danny will get several quotes and move forward to complete the project in the Spring.

Washer and Dryers

A new washing machine, which was the last of the vintage collection, was recently purchased for the D Building. This is a front-loading, high efficiency model that will allow owners to wash comforters and blankets. All the other machines in the 5 buildings are relatively recent purchases and appear to be in good shape. Danny recommended removing the coin-operated soap dispensers and supplying jugs of laundry detergent for guests and owners or having each rental management company supply detergent in the individual units. Monies for replacement washers and dryers are budgeted in our Long-term Capital Budget Plan.

Spring Landscaping Plans

As was reported in the August 1, 2009 Annual Meeting and minutes, The Chateaux plans on completing \$375,000-\$450,000 in landscaping and capital maintenance needs over the next 3-5 years. This was reported to equate to a \$2,000 to \$3,000 supplemental assessment per year for 3 years beginning this Spring. The Board felt that allocating approximately \$40,000 this summer to plant the planned large trees on the Gothic Rd. side of each building along with the irrigation system would give us great visual impact on this highly seen side of the property, as well as heeding the advice of the geotech report to use landscaping to help stabilize the steep slopes. Rory shared that the grading for proper drainage between the D and E buildings should be addressed as soon in the process as possible. The \$300,000 needed to replace or fortify the current retaining walls can likely be staged over several years and will be accomplished in conjunction with future landscaping.

Danny reported that he and Theresa met with the Town of Mount Crested Butte's Downtown Development Authority (DDA) to share The Chateaux's landscaping plan and asked to present a cooperative cost-sharing plan on improving the landscaping at the Gothic stairs and along Gothic Rd. Danny will present a detailed proposal to the DDA at their March meeting.

2010-11 Budget Schedule

The Board asked Danny to provide a draft FY11 budget to them in mid-May with a conference call in early June to discuss and finalize.

Eco-Friendly Bath Products

Bill brought samples of bath products that The Chateaux might want to upgrade to in our ongoing effort to in-turn upgrade the rental image of The Chateaux and the experience for our guests. Upon further investigation of products, we can enter into discussions with the rental management companies, primarily CBL. It was noted that CBL might already be using unique products just for The Chateaux.

Chateaux-based Marketing

The Board discussed ways to supplement the rental income that the rental management companies are earning for our owners. It appears that a large majority of the winter guest revenue has been from group bookings, primarily ski clubs and church groups. Any supplemental marketing that can take place to bolster the family business will be additional icing. Family-travel business often times comes at a higher rental rate. The discussion shifted to focusing on the excellent and unique amenities that The Chateaux currently provides (e.g. the pool and hot tub, very accessible bus transportation, the availability of the clubhouse), as well as adding additional quality options to draw guests and then create positive experiences to promote return visits (movie nights, barbecue dinners, quality bath products, upgraded lodging accommodations). There are companies available that provide additional rental-procuring services. Another idea might be having CBL add several units to VRBO, which would likely increase traffic from an ever-more popular booking option. Danny will review how well The Chateaux is portrayed on different web-sites to ensure current photos and amenities are portrayed. As we improve the searchability of our Chateaux website, it was felt that any owner who wants to include their individually rented unit on the site under the “Accommodations” tab should be encouraged to do so.

Resort Fee

Alan introduced the idea that the Association as a whole is absorbing costs from short-term rental guests without compensation; this includes extra common-area wear and tear, additional firewood usage, and additional internet usage requiring upgrading the service, as examples. It was also pointed out that it is a common industry practice to charge a nominal per night “Resort Fee” for extra amenities provided at a lodging property; in the case of The Chateaux, amenities such as the pool are special and unique...and endure higher use than normal from guests.

Theresa made the following:

- Motion: Assess a \$10 per night Resort Fee to all short-term rentals beginning immediately.
- 2nd: Alan
- Vote: Unanimous approval

Long Term Capital Budget and Plan

Danny distributed the current long term capital budget, which outlines assessment needs over the next several years to pay for the planned recurring capital costs, as well as the landscaping needs.

If the trend of operating-cost savings continues through the rest of the year and into the subsequent year, the owners' current dues of \$475 per month will be sufficient to cover both the operating needs and the anticipated recurring capital needs without raising the dues next year. This leaves the landscaping needs to be addressed with supplemental assessments.

While the owners are expecting a \$2,000-\$3,000 supplemental assessment this year, the Board felt that the continuing national economic struggles warrant restraint at this time. By lowering the assessment to \$1,500 per unit this Spring, that would provide \$90,000 toward the near-future landscaping needs. A majority of that \$90,000 will be spent this summer on the large-tree landscaping and irrigation, with some going to match whatever the DDA might contribute to the Gothic Rd and stair landscaping. The balance will be allocated toward the drainage and retaining wall issues, as well as for the future repair or replacement of the fire escapes.

Rory made the following:

- Motion: Assess a \$1,500 supplemental assessment for this fiscal year to each owner (\$90,000 total) to be due June 1, 2010 to cover landscape projects including tree installation, irrigation, drainage improvements, and erosion control.
- 2nd: Bill
- Vote: Unanimous approval

Establish Date of Annual Meeting

The Annual Chateaux HOA meeting was officially set for Saturday, August 14th at 10:30AM, to include a luncheon. Please note this is one week later than the tentative date set this past summer. The Board will also meet that same week-end.

Adjournment

There being no further business, Association President, Jack Patton, adjourned the meeting at 4:20pm.

Approval:

_____ Date
Theresa Brooks
Chateaux Secretary