
CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION

61 TEOCALLI ROAD, CRESTED BUTTE, CO 81224
PHONE (970) 349-1162, WEBSITE: www.cbsouth.net, FAX (970) 349-1163

Board Meeting Minutes 48th Annual Meeting August 5, 2018

Board Members Attending: Kevin Van Horn, Pat Wallace, Mark Trautman, Margaret Loperfido

Staff Attending: Dom Eymere, Benita Bellamy

Public in Attendance: Owner Sign in form available upon request at the Crested Butte South P.O.A. office.

Call to Order

Kevin called the meeting to order at 4:07 pm

Welcome and Introductions

Kevin introduced the Board Members in attendance along with the Association Manager and P.O.A Staff, and welcomed the Public for joining today.

The Annual Meeting Proof of Notice was published in the CB News on July 26th and August 2nd as well as the CB South P.O.A. website, office and newsletter.

Reading of Minutes from 2017 Annual Meeting

It was determined by the Board to decline the reading of the 2017 minutes. Kevin requested any comments and/or corrections from the Board and Public. None were identified. Mark motioned to approve the 2017 Annual Meeting Minutes and Pat seconded the motion. The motion was unanimously approved.

Year-To-Date Financial Report

Mark presented the Financial Report. For the calendar year 2017, Total Income was \$340k and Total Expenses were \$290k resulting in Net Income of \$50k. Additions to Capital Reserves totaled \$25k.

As a result of the implementation of the annual ballot item for IRS Revenue Ruling 70-604, the \$50k of retained earnings for 2017, net of the \$25k capital contribution, equating to a total carry-over amount of \$25k, was incorporated into the current year's budget. This figure went toward offsetting current year budgeted expenditures and lessened the required dues increase to balance the budget.

2018 dues per single-family property were set at a rate of \$345, an increase of 2% over 2017. All other dues were set as a factor of the single-family figure – for example, a vacant lot is ½ of that, or \$172.50, and commercial property is set at a factor of 2, or \$690. As a result of adjusting the dues schedule to a factor-based system, commercial dues declined slightly less than 1% for 2018

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as a result of the realignment process. For comparison purposes, dues increased 2% in 2017, 2% in 2016, 2% in 2015 and 3% in 2014.

Total Income for 2018 is currently projected to be \$354k which is \$27k above budget, primarily due to higher than anticipated Application Fees from new construction activity. Annual Dues represent \$276k or 78% of Total Income.

Total Expenses are currently projected to be \$340k which is \$15k above budget primarily due to higher than anticipated insurance premiums and additional expenses for consulting services related to the Commercial Area Master Plan. The winter bus service, provided by the Mountain Express, was funded this past winter season for the fourth consecutive year. The Association's contribution was \$16,500. The cost of the service is shared with the towns of Crested Butte and Mount Crested Butte.

Net Income for the year is projected to be \$14k or \$13k above budget. Additions to Capital Reserves are budgeted at \$25k for 2018 with additional contributions of \$31,748 equal to the amount of depreciation expense projected for 2018, for a total projected Capital Reserves contribution of \$56,748. Major capital improvement items budgeted for 2018 include resurfacing the tennis courts, improvements to the common area alongside the Teocalli ditch near the entrance of the neighborhood, perimeter fence work and additional access easements.

From a Balance Sheet perspective, as of July 31, 2018, Total Assets were \$1,048k. Operating checking and money market accounts totaled \$184k, which will be drawn down as expenses are incurred through the balance of the year. Reserve Funds are currently \$316k of which \$203k are invested in a laddered portfolio of four CDs with one maturing every 3 months, each of which is rolled forward one year upon maturity. This keeps the reserve funds invested in CDs earning 1-year rates, around 2% currently, and allows for ample liquidity if funds are needed. The remaining \$113k of reserve balances are held in a money market account. Refundable Performance Deposits amount to \$120k and are held in a segregated money market account.

The improved dues collection process implemented three years ago has resulted in keeping Accounts Receivable low and has improved cash flow. As of July 31, 2018, Accounts Receivable were \$14k. Fixed Assets net of Depreciation were \$414k.

Total Liabilities were \$154k, consisting of \$124k in Current Liabilities, a majority of which are Refundable Deposits. The balance of Total Liabilities consists of \$31k of Long-Term Liabilities which is the remaining balance of the mortgage on the POA building.

Total Assets of \$1,048k, less Total Liabilities of \$154k, equates to Total Equity of \$893k.

An independent audit was conducted this year, as it is every other year. The draft copy we received indicates a clean opinion. The final audit report will be available soon. A Reserve Study was also completed for the year ending 2017. A final copy of the report should be available soon.

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In summary, the CB South Property Owners Association remains in very good financial condition.

	2016 Actual	2017 Actual	2018 Budget	2018 Projected	Projected vs Budget
Total Income	313,692	340,463	326,725	354,203	+ 27,477
Total Expenses	261,448	290,423	325,256	340,191	+ 14,936
Net Income	52,244	50,040	1,469	14,011	+ 12,542

Mark opened up the meeting for questions regarding the Financial Report.

Question 1 – What caused the increase in cost for the insurance policy?

Dom explained that the previous insurance company did not renew our policy. Our Association is unique from other Home Owner Associations by hosting public events and providing recreation amenities therefore a more specialized policy is required. We received two bids that did not include coverage of these amenities which would position the P.O.A. with the liability of being under-insured. We believe the new policy is currently underwritten to provide full coverage of the Association, it's properties as well as all the recreational amenities and public events.

Question 2 – Why does the P.O.A. carry a mortgage? What are we earning in interest and are we carrying interest that is unwarranted?

Mark explained a portion of the mortgage was paid down in 2017. The operating funds are independent of the reserve funds. Although it may appear that the P.O.A. has an excess of funds available at this point in the year, the capital reserves are to provide funding for maintenance of facilities and property. Our operating accounts earn very little interest, similar to a checking account. The dues provide the funding for the year's operating expenses and as we near the end of a calendar year, the remaining funds are needed to cover operation expenses. Mark also noted the conditions of the mortgage included a pre-payment penalty on the loan and that at this point in the amortization most of the monthly payment is applied to principal rather than interest.

Question 3 – Due to the recent insurance increase, is there any thought to increase the usage fees of the amenities to help cover the cost increase?

Dom stated that the skiing has been free but donation based and that hockey rink organizations do pay a rental fee. In addition, the P.O.A. annually solicits sponsors to support the operations of the ice-skating rinks. Kevin also explained that this insurance change was very recent and the Board has not had a meeting to discuss an action plan.

Question 4 – Why does the Association have outstanding dues accounts and how many exist? Why doesn't the Association foreclose on these properties?

Mark explained that the process is to place a lien on the property. Once any real estate transaction occurs, the Association does receive payoff of the outstanding dues. The other option would be to go through the process of foreclosure which is very expensive. Our attorney has provided guidance on the how best to proceed. There are five owners that have outstanding balances outside of the

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current year. Member comments suggested we look at the cost of foreclosing on these properties especially if they have equity in the home.

Question 5 – What caused the increase in the expenses for snow removal by \$4,000?

Mark explained that in previous years, services for items such as snow removal of the Association properties were not billed to the P.O.A; these services are now billable. A new tool cat has been purchased and one of the many benefits will be snow removal by the P.O.A. staff, which previously was always done by the Metro District.

Question 6 – What is the reference of access easements referred to in the Capital Reserves?

Mark shared information on the additional easements that are currently proposed but have not been completed to date.

A Motion was made by Pat to approve the August 5, 2018 Annual Meeting Financial Report and seconded by Margaret. The Motion was unanimously approved.

Committee Reports

Pat Wallace provided project updates of the Trails, Amenities and Parks (TAP) committee. Phase 1 of the internal road within Red Mountain Park has been completed. The goal of removing the road is to encourage pedestrian circulation and remove vehicular access for summer safety. Removable bollards will be installed permitting winter vehicular access during hockey/skating season. The tennis court resurfacing will be completed in August. A cost feasibility study was completed to gather preliminary information for a pavilion structure within Red Mountain Park. The cost estimates have proven to be higher than originally anticipated and the Board determined that a formal business plan should be explored. Pedestrian easements for subdivision connectivity continue to be a critical priority with the future development of the proposed Village Center. The Committee continues work based on the Master Plan and communications with the property owners are in progress to obtain these easements. A resolution to remove the Cement Creek Condominium pond is underway. The P.O.A. has met with the condo association and negotiations are in being worked out in order to clean up the pond and provide a safe/hazard free area while keeping the critical water flow working. A trail work day has been scheduled on Wednesday, August 22nd to finish the subdivision access to the river. All members are welcome to join the TAP committee from 4 pm to 8 pm. Pat noted that trail access to the river walk is a Land Trust easement and access is near the bridge off of Cement Creek Road and terminates at an easement off of Kubler Road. The Land Trust has provided the rules; no dogs are permitted. Educational and wayfinding signage will be installed also.

A few questions were raised regarding responsibility and liability of the Cement Creek Condominium's pond and why the P.O.A. would spend any funds? Dom noted that the County and the Condo association are responsible for the pond but the addition of the pedestrian path added another variable since this is the responsibility of the P.O.A. Past agreements have been left open for interpretation of responsibilities and the P.O.A is currently working with the Condo's

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association and the owner of the adjacent lot in order to come to a final agreement. An inquiry was made about who is responsible for clearing and maintaining the ditch; is it based on property line or is the county responsible since much of the area is county property? Kevin confirmed that it is based on property line and is a shared responsibility between the property owners and the County.

An inquiry on connecting CB South to Crested Butte with a bike path was made. Dom and Matt Feier are both on the committee working with Marlene Crosby, Gunnison County Public Works Director and Dave Ochs, Executive Director for CBMBA. The County's STOR committee would need to be a sponsor for a planning grant. A path would likely include on and off-road areas with a lot of approvals by various agencies. The project is just kicking off at this time and the key will be to generate funding through grants.

Dom provided the overview of the Commercial Area Master Plan (CAMP) rewrite and status. It was noted that the project was identified on the current Strategic Plan document. The Special Area Regulations (SAR) is considered a vision document to identify design requirements as well as support businesses and economic vitality within the commercial development. A committee of community members, stakeholders, planners and business members were gathered to form the CAMP Advisory Group. Included in the SAR are guidelines and minimums for design development for all structure types as well as public, open space, transportation and interactive community areas to include circulation within Block 6 and the commercial district perimeter. Owners are required to dedicate areas for public gathering and community enjoyment. The Board has reviewed and commented on the proposed language of the draft but the final vote and approval is on hold currently until the ballot voting is complete for the Proposed Amendment to Covenant 24.03. Dom explained the Strategic Map visual of Block 6, specifying the height designations and land use zones such as Main Street business district and the interactive plazas.

The ballot requests consideration to approve a 3-story structure over a 2-story structure within Block 6. This amendment is driven by several factors including architectural character of a building, incorporating comfortable ceiling heights, code requirements and infrastructure, Pioneer Plaza's zero lot platting and the proposed land use zones. Dom noted that the perimeter commercial zones within Blocks 4 and 5 are not part of the Covenant amendment; the perimeter will remain at a 32-foot maximum height. At this time, several questions were addressed to Dom and the Board regarding the ballot and SAR draft.

Question 1 - Why are the building heights being proposed at these heights? These heights almost seem as if a 4-story structure could be built. Dom and Mark both addressed the question. The ceiling heights recommended by Cascadia Designs provide industry standards when an active first floor commercial exists; providing a 15 foot ceiling height on the first level raises the overall height along with providing ample space to house HVAC equipment and systems.

Question 2 – For clarification, who has final decision on the number of stories and building heights? The membership vote will make the decision on the number of stories permitted within

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Block 6. The covenant does not address a building height and that is part of the design requirements as stated in the SAR. Therefore, the Board of Directors and Gunnison County will make the final approval of the SAR with input from the membership.

A lengthy discussion ensued regarding the current covenants and interpretations on what requires a membership vote. Dom and the Board confirmed that there are several outdated covenants. The proposed ballot vote for Covenant 24.03 is a first step to begin cleaning up the outdated covenants and conflicting information. Kevin and Pat further explained that it was the Board of Director's goal to take on this SAR rewrite to address the design issues and challenges of the previous document. The current SAR was approved with a 3-story structure within Block 6, contradicting the language of Covenant 24.03. The goal of the SAR rewrite was to attempt to address the outstanding items that are to make the commercial area feasible for development.

Membership feedback continued with questions on clarification of what will be developed, population estimates and lack of clarity. The Board and Dom shared that proposals for development have not been submitted; population projections discussed in earlier CAMP meetings are only estimates. The areas that are un-platted and undeveloped will remain so until the SAR rewrite is finalized.

Parking was raised as an issue with the current situation around Block 6. Is parking permitted on the street? Dom notes that the only time on-street parking is not permitted is when there are discernable amounts of snow. Capital planning will be key to help develop the parking within the commercial district. Each owner will maximize the parking on their lot and on-street parking will be considered in the future.

Dom concluded the CAMP and ballot discussion with an invite to attend the September 5th Public meeting and encourage everyone to bring forward any questions on the SAR draft. Mark outlined the requirements to approve the covenant change are 50% of membership plus 1 to meet the majority. Each unit or lot is eligible for one vote.

A pro/con list was requested. Pat pointed out that such a list would be subjective; one individual may see an item as a pro and someone else would interpret it as a con. Another comment was made that draft document should be presented at several meetings in order to obtain community input. Dom pointed out that all CAMP Advisory Group meetings have been open and that the draft is posted on the website. A Public Meeting is scheduled for September 5th to address and answer community questions.

Manager's Annual Report

Dom presented of the highlights of the past year. He noted that the Strategic Plan is posted on our website and serves as the P.O.A. and Board of Directors' directive. Dom encouraged everyone to please refer to the website often for the most current and up to date information. The website is the 'warehouse' of information for all activities, notices, forms and procedures of the Association.

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Future Capital Improvement Planning will be a part of the ongoing process as the SAR document is finalized and the commercial area is developed. Funding for the community plaza, pedestrian pathways, a Village Center Main Street along with infrastructure will be costly. More information will be shared as the project evolves. The subdivision fencing surrounding the ranches will be replaced in the coming year. Bids are being solicited currently.

The creation of a Governance Task Force is underway and the P.O.A. is looking for folks to become part of the newly formed committee. The committee will be tasked with updating the 1970 Covenants and Restrictions document. Dom noted that the P.O.A. works with community members through these committees. Similar to the Design Review Committee, CAMP and TAP committees, members are asked to volunteer their time to help update the outdated covenants. Dom also noted that enforcement of the Rules and Regulations is an ongoing activity. The P.O.A. partnered with the Metro District to purchase a speed radar device. It will provide a collection of data and analytics of the critical areas that continue to be a problem. The Dark Skies initiative is also one of the rules the P.O.A. is working to enforce throughout CB South especially with older buildings.

Currently on the building front, there are 32 open building permits, including 2 multi-family four units, 2 commercial buildings, 3 duplexes and 10 single family units were approved. At the conclusion of the Manager's Report, Dom opened the meeting to the membership for questions.

Question 1 - How long does a permit remain open? 1 year.

Question 2 - Is there a restriction as to how many units are built in one year? No restrictions exist.

Question 3 - Is there any update on cell phone service? Mark commented that discussions with several carriers have ultimately led to the determination that CB South is too small of an area. An option to consider would be to add more Wi-Fi to other public areas similar to the Wi-Fi added at the bus stop.

Question 4 - Would you describe the activities of the Community Compliance Coordinator position? What are the results? Are we getting the bang for the buck? The position was established last year to resolve issues regarding violations of the Rules and Regulations. Dom explained that a report tracks the violation, steps taken to resolve and dates associated with each step. Our first approach is to speak with the owner to enforce a 'good neighbor' rule. Dom reported that we have a 60%-70% rate of resolution. Anyone who would like to review the report is welcome to stop in the P.O.A. office.

Question 5 - David Neben asked if an informal poll, by show of hands, would be possible regarding RV's in driveways. The suggestion was to present an option for a RV, 30' in length or below to be kept on a property. The informal vote was taken for those against RV's in the subdivision, regardless of length; the majority show of hands was against it.

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Question 6 - Who has the responsibility of approving the Special Area Regulations? The SAR is considered a set of design standards. Based on our Special Area designation, the SAR does not require a membership vote for approval. The Board of Directors along with Gunnison County are the governing bodies to approve the SAR document revisions.

Question 7- Does the Compliance Coordinator have the authority to address the motorbikes riding on the public streets and open lots? Yes, if the P.O.A. is aware of it. However, the police may also be called as this is a violation of a Gunnison County law.

Question 8 - Are there any plans for Affordable Housing? The Board has not addressed this topic to date. Policy may be developed in the future. Mark noted that the P.O.A. is a homeowner's association and does not have the right to establish specific rules regarding affordable housing requirements. Dom added that our covenants would need to be updated to address this issue. The recently developed Short Term Rental policy and application is a good example of what the P.O.A. is permitted to regulate.

Les Wilbanks shared that the Metro District is open to pave Blackstock Road, as long as it is included in the 2019 budget. Les encouraged interested members to attend in the next few Metro District's Board of Director's meetings to support this project request.

Unscheduled presentation by John Gallowich, Candidate for Gunnison County Sheriff

John Gallowich was introduced and gave a brief account of his background and 30 years in law enforcement. John spent time in CB South when law enforcement occupied an office in the P.O.A. building. John fielded questions from membership regarding CB South law enforcement coverage, road safety and speeding, and unlicensed vehicles on roadways. John responded, if elected, he would work closely with the Board to understand the needs of the community. John agreed to stay after the meeting to answer additional questions.

Dom thanked all in attendance for their questions and participation as well as acknowledging retiring Board Members, Kevin Van Horn, Pat Wallace and Mark Trautman, for their time and service to the P.O.A. over the past two years. Matt Feier, Matt McCombs and David Neben were voted in as the new 2018-2020 Board Members. Dom introduced Matt McCombs and David Neben in the audience and noted that Matt Feier was out of town and unable to be in attendance today. Lastly, the IRS Revenue Ruling 70-604 for 2018 was passed 168 in favor to 4 not in favor.

The meeting was adjourned at 6:05 pm.