**Beaver Creek Lodge Condominium Association**

**Board of Directors of the Association**

**Meeting December 22, 2022.**

Date: December 22, 2022

Location: Board Room of the Beaver Creek Lodge

Time 2:00 PM MST

**Minutes of the Special Board meeting held on December 22, 2022**

A regular meeting was held by the Beaver Creek Board of Directors on December 22, 2022, to discuss, consider and potentially act on the following matters:

* Fill vacant Commercial Board seat with Jim Clancy from Beaver Creek Resort Company
* Review the 2022 Forecast to Budget
* Review and Approve the 2023 Budget
* Review Capex Projects Funded by Reserve
* Special Assessment Loan Update
* Set Beaver Creek Lodge Homeowners Association Annual Meeting Date
* New Business
* Owners Forum.

**Board Members Attending via Zoom:**

Mark Kessler, President, Hotel Member

Steven Broadbent, Vice President, Hotel Member

David Rivard, Hotel Member – in person

Jim Clancy, Commercial Member (newly appointed) – in person

**Other persons in attendance:**

Fravy Collazo, CFO Kessler Collection

John Luckett, COO Kessler Collection

Paul Jeppson, General Manager Beaver Creek Lodge – in person

Pernille Lake, Corporate Assistant Director of Finance

Paul Jardis, Commercial Owner

Leanne Rivard, Hotel Owner – in person

**Introduction and Roll Call:** The December 22, 2022 Board Meeting was called to order by Mark Kessler and roll call was taken by Mark Kessler. He established that there was proof of notice of meeting and confirmation of a quorum. The purpose of the meeting was to discuss and revision of the service fee and elections of officers.

Mark advised the purpose of the meeting is to consider and potentially act on the following matters:

* Review the 2022 Forecast to Budget
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**Current Year Financial Review**

Paul Jeppson reviewed the current year financials. 2022 has been a very robust year with the hotel returning to full capacity for the first time in a while. The summer continued the good results we have seen throughout the winter. The 3rd quarter although very strong is showing some signs of returning to more normal conditions. The transient guest have more options such as traveling to Europe and other locations in the US other than Mountain resorts. Marriott as well as the other big chain hotels allowed a lot more point reservations last year than they would normally. They have gone back to the standard 50% limit on the number of point reservations on any day. We were well over that last year all across the winter so we will need to back fill that gap with regular transient guests.

It will still be a very good year I believe just not at perhaps the level of last year. One good thing we have working in our favor is the snow conditions are very good this time of year. Beaver Creek opened on Monday the 21st, two days early which rarely happens. This is a good sign for the winter.

**2022 YTD Association Costs**

With the increased occupancy, labor costs, and inflation we are seeing overages in some areas but especially in the Utility costs.

**Waste Removal** – 12k over budget. Increased occupancy and removal of 30 years of stuff from building caused overloading of the trash containers and additional charges.

**Electric** – 7k under budget – Less electrical usage and more LED installations.

**Gas** - $36k over budget due to increase Spot Market pricing that has spiked due to Russian invasion of Ukraine. Historically the Spot price would be around $3.75 per dekatherm. This peaked at over $9 per dekatherm in August. It has come down since then to $6 but we are still at risk of going higher.

**Water** – 22k over budget due to $500/mo. due to increase in debt bond amount, $200/mo. increase in Cap Replacement Base charge, and increase in base rate charges.

I expect the Gas cost will continue to be high while the war is still going on and Russian Gas supplies are effectively off the market. Water will continue to be high as the Capital charges will continue.

The Operating Budget is 3.7% over plan. When we include the deficit expense line the overage is over by $80k representing 8.9%. $58k of the 80k or over 70% of the deficit is related to Gas and Water utility overages. We have entered into a fixed price gas contract to cap our risk in continued gas increases at $5.88 per dekatherm especially with the Russian – Ukraine war continuing.

**Update on 2022 Capital Projects**

**Pool Furniture** – The new chaise loungers, umbrellas and stands are all here.

**Garage CO detection** – The upgraded system was installed for $38k vs a budget of $50k.

**Grease Interceptor** – This was finished in April. It required additional work and it went over the $19k remaining budget by 6k. This was to make sure the pit was thoroughly cleaned so the epoxy finish would adhere to the walls and provide a good seal.

**Boiler Check valves** – The 3 check valves on the main boiler pumps where changed out. These were 30 years old and one had failed already.

**Front Entry ADA door** – This failed and the entire door mechanics needed to be replaced including ADA switching gear. This was unplanned capital of $12k.

**Condo Garage Door** – This Condo Garage Door was finally installed and the bugs worked out.

**Glycol Feeder** – was added to the Boiler.

**3-way valves** - On the Hot Water Heaters – 2 of the 3 valves were leaking necessitating replacement of all 3 valves to keep the hot water flowing.

**Roof repairs** - The heavy snow load definitely impacted the roof to a greater extent this year. We will be spending $30k to get the roof back in order.

Overall Capital Expense is expected to about $259k down from a budgeted $345k. We had significant savings in CO detection construction as well as the Interactive Television Backbone which is still ongoing. We also saved on the exterior lights for this year as we are partnering with Beaver Creek Resort Company who is developing a Village Wide lighting plan and will contribute to lighting changes (hopefully). The Condenser and Loading Dock doors turned out to be too expensive to do this year so they are being schedule for next year.

**Review of 2023 Operating Budget**

The utilities and increased labor were the main contingents to increase costs for the Association. The CPI this year is 7.86% based upon the Denver-Aurora-Lakewood CPI numbers.

* We have increases in internet bandwidth to support the new streaming service 10k
* Insurance is increasing at a rapid rate due to forest fire risk 11k
* Houseman Wages increased dramatically 11k
* Maintenance Wages increased dramatically 24k
* Water 9k
* Operating Deficit 62k

**Overall Operating expenses are $1,362,917 which is an increase of 9.6% in 2023 over 2022 forecast**. This translates to increases of:

**Commercial 11.10%**

**Residential 4.11%**

**Hotel 15.80%**

These will vary unit by unit a little based upon several factors.

**Capital Reserve Budget**

The Capital Reserve Budget for 2023 is $355k.

The following projects make up the majority of our 2023 items.

**Tile Roof System**

Budget to maintain the integrity of our roof system. This project will go hand in hand with other projects listed in the Capex plan such as Gutter/Downspout and Snow fence.

**New Bell Carts –** Need 3 new bell carts

**Loading Dock Door Replacement** – Last of the three garage doors to replace.

**Loading Dock Lift Replacement** – 20-year-old lift gate that is leaking now.

**Equipment- Common Area Condensing Units**

Replacement of condensing units that cool common area space back in employee areas. The offices in the back area are 90 degrees in the summer

**Equipment- Common Area Condensing Units**

Replacement of the condensing units that cool the Lobby. We had this limping along for the past two years but has finally broken permanently.

**Front Beam Replacement**

The Beam in rotted out in several places. We used Epoxy wood patch material to repair the beam. This is a temporary fix and we should look at replacing.

**Balcony Floor Coating**

Replacement of the membrane and decking on the second-floor exterior on Creekside to keep leaks and water intrusion out of the building.

**Interior Furniture**

Replace Worn Common Area Benches inside

**Meeting Room Upgrade**

Larkspur and Juniper need to be upgraded to modern meeting spaces with new chairs, linen less tables and technology packages for Hybrid meetings.

**Building Light Exterior**

Working with Beaver Creek Resort Company on exterior lighting package where they will absorb some of the cost.

**CPI Calculation Question from Previous Year**

The CPI for previous year’s budget 2022 was calculated off the September 2021 CPI number which is the latest number available at the time compared to the 1st half number from the previous year. This is actually a 15-month number vs a normal 12 month spread. This was available since the Bureau of Labor Statistics started producing a CPI index with bimonthly measurements. It was interpreted in the Declarations that the most recent number available should be the one used. The budget using this number was presented and voted on with approval at the Annual Meeting on April 2, 2022.

Paul Jardis Commercial Owner and I spoke about the CPI increase during this year’s budget discussions. He disagreed on how last year’s CPI was calculated. I forwarded his concerns to the Board and asked him to present his case at the Board meeting. Mr. Jardis mentioned the following:

* Paul (Jeppson) – you are shopping for a number.
* If you are changing the methodology you should notify all owners in advance.
* You should not change methodology it should remain consistent.
* Don’t use a 15-month CPI after using 12-month CPI for 30 years.
* You should do a 24-month blend as a solution rather than the current 12-month CPI for 2023.

Fravy Colazzo, CFO – Told Paul Jardis that he was not involved in the CPI calculation for the 2022 budget. He would review his comments and talk to Jim Wear the Association Attorney and get back to him on the CPI.

**Approvals**

Steve Broadbent motioned to approve Jim Clancy fulfilling the remainder of the term vacated by Elizabeth Jones as the Commercial Board Member until April 2024. David Rivard seconded. The motion was unanimously approved.

Approval of the Operating Budget and Capital Reserve budgets subject to further review of the CPI increase which may be adjusted in later quarters was motioned by Steve Broadbent and seconded by David Rivard. The motion was unanimously approved.

**Jim Wear had provided the required by law changes on Governance Policies and need to be approve by the Board of Directors**.

Approval of The Amendment and Restatement of Certain Responsible Governance Policies required by CCIOA updated in Colorado HB 22-1137 was motioned by David Rivard and seconded by Steve Broadbent. The motion was unanimously approved.

**Review of Old Business and New Business.**

The Board discussed Annual meeting dates and agreed to hold the Annual meeting on **April 1, 2023 at 1:00 PM MDT**

Adjournment

With no further discussion, Mark thanked all for participating in the Board of Directors Meeting and the meeting was adjourned.

**Approved March 21, 2023**