

TMVRC OWNERS' ASSOCIATION, INC.
(TMVRC)
February 18, 2025
Annual Meeting Minutes

- **Call to Order**
Bryan Woody called the meeting to order at 1:00 p.m. Bryan Woody noted that the original annual meeting was on January 24, 2025, and due to technical issues, it had to be rescheduled and continued to today's date.
- **Appointment of Recording Secretary**
Minutes Services confirmed their presence and record of the meeting.
- **Establish Quorum**
Board members present included:
Chad Arkoff, Chelsea Buckland, Michael Wagner, Bryan Woody, Michael Zarrilli.
A quorum was established.

Also in attendance:

Jared Balkind
Matt Gallant
JT Keating
Carlos Mier Y Teran
Nadine Norene
Jason Phillips
Joel Pustmueller
Lyn Pustmueller
Jim Shoriak
Regina Shoriak
Jean Shimotake
Taylor Smith
Minutes Services

Michael Lynch, counsel for the Association.

- **Market Outlook**
Bryan Woody reported that an overview was shared at the last annual meeting, which would be provided for anyone who could not attend on January 24. There have been no material updates or developments since January 24.
- **Review of the 2025 Proposed TMVRC Operating Budget**

JT Keating presented the 2025 proposed TMVRC operating budget. The budget grew over 2024 by \$229,000, which was a 5.5% increase. The biggest areas of growth included insurance in the amount of \$127,000 and reserve contribution in the amount of \$100,000. JT Keating discussed that the goal was to try to keep the budget as flat as possible for 2024, but due to the insurance and reserve deficit, it was not possible. The admin budget increased due to the increase of the on-site accounting team, even after accounting for no longer having the admin controller. Gas and electricity decreased. In 2023, there was a spike in prices and usage, so a major increase was budgeted for 2024, but the prices had actually decreased which brought in a 9% savings. The maintenance budget was increased, and a Chief was added under the Director. There was a small increase in the guest service department by 1%.

Jim Shoriak asked if the 2024 budget was the actuals. JT Keating reported that he was comparing the 2025 budget to the 2024 budget. Jim Shoriak asked about whether they had the actuals. JT Keating reported that the Board had received them and there was a savings of \$300,000.

JT Keating discussed what was spent in 2024. There was \$1.3 million spent in CapEx for the hotel, and the surplus would likely be needed to refund the reserve fund.

JT Keating continued his report on the proposed 2025 operating budget. He reported that the funds had moved around from how they were allocated, and it would have shown a virtually flat budget if not for the insurance increase.

Michael Zarrilli asked if the new annual rate was reflected in the budget or if it was only half of it. JT Keating reported that the insurance year was June to May. Through May, the actualized rate was in the budget, and starting in June, there was a 20% surplus to cover any increases in insurance.

Michael Wagner asked what the increase from the actuals to the budget was. JT Keating reported it was approximately 7%, but he did not have the exact numbers.

- **Review of the 2025 Proposed Reserve Budget**

JT Keating presented the 2025 proposed reserve budget. The expected spending amount is \$576,000 in 2025.

Michael Zarrilli discussed that \$580,000 was collected in reserves in 2024, but \$1.3 million was spent due to many unanticipated expenses. He stated he would not be surprised if there were many other unexpected expenses in 2025. He discussed the need for an engineering study and reserve study to be done and anticipated that it would drive reserve expenditures up. Michael Zarrilli thanked everyone who had assisted with the budget.

Jim Shoriak discussed the various equipment failures and the need for forensic investigations to determine the root cause of the failures. He raised concerns that the boiler had sat idle for a considerable amount of time, along with other examples of electrical and plumbing failures. He asked for Bryan Woody to put something together. Bryan Woody stated that what they had socialized as a Board was to bring in a regional engineer. HEI Consultants out of Grand Junction, who are primarily structural engineers, put together and delivered a proposal to look at all of the critical infrastructure in advance of an Armstrong Reserve Study so that they could assess the current level of needed preventative maintenance. Bryan Woody stated that he would send the proposal to the Board and the Reserve Committee.

Dave Wilson asked if there were a high amount of insurance claims in 2024. Bryan Woody reported that there was a claim due to flooding, and the deductible was \$50,000 prior to 2024. Dave Wilson asked how much of the increase in insurance was due to claims or just the state of the insurance company. Chad Arkoff reported that the claims likely did not help, but it was largely due to the increasing costs in the insurance market and the perceived wildfire risk in Telluride. The way the property was insured changed throughout the years, and it was now insured as a standalone property rather than being grouped with other properties.

Jim Shoriak asked about a wildfire mitigation plan and if it would help with insurance costs. Chad Arkoff stated he was not sure, but he would ask the insurance broker.

Michael Zarrilli discussed the amount of insurance they had. He stated that the initial full replacement value was \$25 million for the property, and it had increased to \$150 million over time. He noted that it may not be high enough of a valuation.

Chad Arkoff reported that they did have an increase in the value that was being insured, which also helped in driving the insurance cost increase.

Michael Zarrilli suggested addressing the declaration if it was needed and insurance increased too much.

Michael Wagner discussed that a lot of money has been paid out to maintain the property, but the performance was not good enough. Chelsea Buckland discussed that part of the commitment was to look at the third-party study of the reserve and the maintenance plan to ensure the association followed it.

Jim Shoriak raised concerns about the operation and the need for maintenance for the boiler and other facilities.

Bryan Woody reported that there was not any forensic analysis but generally, there was a full scope of work shared with the Board and often a multi-page report.

Michael Zarrilli stated that they needed new and solid operating procedures for the maintenance of the property of the hotel. Bryan Woody confirmed that he could do this, and he was fully committed to driving a rigorous preventative maintenance program with the new Chief Engineer, the new Director of Engineering, and third-party partners.

- **Property Insurance and Reserves Commentary**

Michael Wagner discussed that if there were a catastrophic event, it would affect the whole town, and the costs for everything would increase. He added that the costs they have should be explicitly included in their policy, so they know the risks they are taking.

Dave Wilson asked if there was ownership for the action items and who was recording each action item. Bryan Woody stated that Michael Wagner had volunteered to make the action items.

- **Board Member Election**

On January 24, Michael Wagner reported that his intention was to run for re-election, and Luisa Marcelino nominated Vadim Bachman for the expiring directorship seat.

The Board called for any other candidates.

Dave Wilson discussed Michael Wagner's qualifications and voiced his support for him being re-elected. Jim Shoriak seconded what Dave Wilson said and stated that Michael Wagner had dedicated a lot of time and was aware of the declarations. Michael Zarrilli agreed with everything that had been said and voiced his support.

Michael Lynch announced that nominations were closed. Michael Wagner and Vadim Bachman would be asked to submit a one-page biography to be included in the ballot. An email would be sent to them requesting a bio within 10 days.

Bryan Woody moved to close the Board nominations; Michael Wagner seconded, and the motion passed unanimously.

- **Condo Map Update**

Michael Zarrilli provided information on the need for the condo map update. The current condo map was more than 10 years old, and many adjustments to square feet had been made. The cost would be up to \$25,000 to find a proper surveying company. Condominium maps generally determine declaration exhibits and allocation for expenses. Years ago, Michael Wagner noted initial discrepancies between declaration Exhibits B and C and the condo maps. Management had been updating the budget with incidental disclosure of the changes and the budget impact of the changes. Michael Zarrilli asked for a schedule of the

changes since the updated condo map. If major discrepancies arose, a declaration amendment might occur. Michael Zarrilli stated that he believed it was time to update the map.

Jim Shoriak commented that the condo map was a starting point for everything that would be done going forward, and the Board recognized the importance when it passed the resolution that any changes to the map would have to be paid for by the people making the change.

Michael Wagner discussed that there was confusion about what was in the hotel shared, what was in non-shared and what was in general shared, so it would be beneficial to have an updated map to know where all the different areas were.

Michael Zarrilli read the following regarding Condo Maps in the meeting:

“Condo Maps generally determine the Declaration Exhibits that determine allocations for expenses. Those are our Exhibits B and C. Years ago, Mike Wagner noted a potential discrepancy between our condo maps and the original Exhibits B and C. Counsel Mike Lynch feels that, though the condo maps relate to Exhibits B and C, legally the Exhibits stand on their own, however they came to be.

In any event management has been updating these Exhibits in the course of each annual budget with only incidental disclosure of the changes and budget impact of changes. I have asked Hotel Owner/ Hotel Manager Auberge for a schedule outlining all changes since the dated condo map.

A condo map update will likely, but possibly not, validate these Hotel Owner/HotelOperator Auberge driven changes.

The perfect result would be no discrepancies. If significant, Our Counsel feels that a Declaration amendment would be required to make any Exhibit B and C allocation adjustments. Note that Hotel Ownership controls the majority vote and thus outcome.

In my opinion, the control/insider group consisting of Hotel Ownership and Hotel Manager Auberge have resisted an update for 5ish years. **It’s time.** The latest notion is “not convinced the Residence Owners want it”. As a Director and Owner, I want it and think we all should. [Please affirm and send me emails with your affirmation.]

Sorry for that long explanation, back to simple. An update is the right thing to do. It will provide information. It is recommended by counsel. Cost is reasonable. Let’s Go!!!

Those who attend Board Meetings or follow minutes will note that I have proposed various motions to update the map. You will have noted that the motions are defeated with Residence Owners myself and Wagner voting yes and insider voters Chad, Bryan and Chelsea voting no. If we resolve today or next meeting great. I intend to propose this update motion at every single Board Meeting going forward. It’s an obvious conflicts issue”.

- **CCOIA Requirements Update**

Michael Lynch reported that the Board had authorized outside counsel who primarily did CCOIA compliance work. CCOIA required nine responsible governance policies to be adopted by the Board. Without the policies, the Board did not have the power to enforce rules and collection of assessments. Eight out of nine of the policies would be fairly agreeable, but the ninth policy was about the conflict-of-interest policy and could take more time. Michael Lynch recommended returning to the conflict-of-interest policy after passing the other eight policies.

Michael Zarrilli discussed that it (the conflict of interest policy) had been going on for four to five years, and there has been no progress.

Chad Arkoff discussed that there was a difference of opinion on the issue.

Michael Lynch stated that he had created an initial draft of the conflict of interest policy, and it was commented on by the Hotel Unit Owner counsel. Since then, CCOIA has undergone more changes.

Michael Zarrilli noted that there were other financial arrangements aside from the simple 10% management fee that impacted motivations when it came to voting.

- **Legal Brief – Compliances, Conflict of Interest, Etc.**

Michael Lynch stated that this issue was covered in his last discussion of the policies. He reported that the policies had to be adopted by the Board.

- **Audit of Shared Facilities**

Michael Zarrilli reported that of the HOA budget, 92% of the charges were not direct but instead allocations from the hotel's shared budget. He discussed that they were interested in the methodologies and processes by which both budget items and charges came through the HOA. He proposed having an audit on behalf of the HOA of the hotel's shared budget that would examine the spending and if the spending was properly allocated.

Chad Arkoff reported that there was language in the declaration that a review should take place annually, and he agreed that a review should occur. He noted that they had struggled to find a provider who could do the audit.

JT Keating reported that they were finishing up reviewing the 2022 and 2023 books. He stated that auditing the HOA financials was part of the 2025 budget and he could send the findings.

It was discussed that the review being done was not the same as an audit of the shared budget.

- **Off-Season Maintenance Charges**

Bryan Woody discussed that a couple of homeowners had raised concerns that the off-season maintenance shares were higher than they had been in previous years and were refusing to pay for them.

Michael Zarrilli reported that there were significant charges on October and November bills that were not present in previous years. Explanations were asked for and the explanations were not robust, so he stated he refused the charges.

Jim Shoriak discussed the poor communications from the operator of the hotel and that the charges were made by the number of bedrooms rather than the number of hours worked in the particular units. He stated that it was called an inspection, but it was not known what had been done. The inspection fee was also not listed on Exhibit B of the rental unit. The rental agreement stated that charges in excess of \$500 require pre-approval by the resident owners. He asked if the inspection applied only to units in the rental program and if it was charged to hotel rooms and non-rental units.

Bryan Woody reported that preventive maintenance was done during every single closure. Individuals whose units were wholly owned and did not rent or use the property for rentals were asked for their authorization, and it was done at their discretion. The only units that the preventative maintenance was mandatory for were the RMA participants. There was an inspection fee that was waived for the RMA participants.

Jim Shoriak noted that instead of them basing fees on the number of hours the activities were performed and the work that was done, there was only a list that was based on the number of rooms that were serviced.

Chelsea Buckland noted that it was not an HOA topic.

Michael Zarrilli stated that the charges did not make sense because they had tripled.

Chelsea Buckland agreed that they needed to take a second look at the charges.

Jim Shoriak discussed that the other issue was that there was no advance notice, and the amount just appeared on bills.

Bryan Woody confirmed that all hotel rooms were also inspected, and the associated expenses were on the operating statement as operating costs of the hotel.

Dave Wilson asked if the costs were actuals or prorated and commented that it seemed like a prorated amount. Chelsea Buckland reported that the charge came from the hotel, and she was not sure about the details. Bryan Woody stated that he would examine them with Taylor from the finance team, and he was still in contact with Lauren Mullins.

Dave Wilson raised concern that there was no communication about the charge.

Chelsea Buckland agreed that they needed to look into the issue in more detail as a representative of the manager of residences.

- **2025 Service Fees, Owner Benefits, and Outside Renters Policy**

Bryan Woody reported that the fees, policies, and benefits continued every year and were ready and prepared for 2025. Taylor Smith will send them out in the coming week.

Chad Arkoff commented that charging \$90 an hour for somebody paid \$39 per hour was putting a large percentage on top of the numbers. He stated that it was unrealistic, and they needed to understand how much was truly being paid.

Bryan Woody reported that a comprehensive market analysis was done a couple of years ago, and the fees that were levied by the hotel operator were lower than any other Colorado luxury resort. He stated he could go through and update the analysis.

Michael Wagner asked why they were getting charged rates equal to other people, even as owners. Chelsea Buckland discussed that it was not simply the hourly cost. Michael Wagner asked if that much more cost was actually needed.

Bryan Woody stated that they also predicated the fees on the market, and he could do another analysis of the current market.

- **New Business**

Jim Shoriak asked if they had voted to approve the budget. It was confirmed that the Board had voted to adopt the budget, so the budget would be approved unless more than 50% of the membership voted to veto the budget.

If the budget were vetoed, it would revert to the previous year's budget. There would be no way to cover insurance costs nor to pad the reserve as recommended by the Reserve Committee.

Bryan Woody asked if anyone would like to veto the budget.

There were no comments or vetoes, and the 2025 TMVRC operating budget passed with an incremental budget expense of an aggregate of 5.5% over 2024.

Jim Shoriak commented that it would be best to put the surplus into the reserves and increase the reserve contribution by \$100,000.

It was asked if the results of the survey would be shared. Matt Gallant reported that the survey would close on February 20, and it would take two to three weeks for the data to be analyzed and put into a report. After management and the Board reviewed the results, there would be a subsequent communication out to residents. Chelsea Buckland noted that they were doing a standard survey across the entire portfolio for all homeowners.

Dave Wilson noted that there had not been circulation in the pool or hot tubs. Bryan Woody stated that the issue was fixed, and they were managing temperatures manually on Wednesday to keep the temperatures regulated.

Dave Wilson asked if the original package would still be supported. Bryan Woody stated that he would look into the issue. Dave Wilson commented that there were a lot of items in the enhanced package. It was explained that there was a paragraph in the newsletter asking residents to reach out to Lauren Mullins if they wanted the OS&E package. Bryan Woody stated that he could work with Taylor to resurface the project. Michael Wagner suggested also putting the information on the website.

Dave Wilson asked when Lauren Mullin's replacement would be on the Board. Bryan Woody stated that it was still to be determined.

Dave Wilson asked how Nathan's job was being done. Bryan Woody stated that he had an engineering supervisor, an engineering coordinator, and six hourly engineers, and the priority was doing the daily checks.

Dave Wilson asked how they could get minutes of meetings. Bryan Woody stated that the Board first reviews the minutes, and then they are included in the next Board meeting agenda. Once approved, the minutes are placed on the website permanently.

Dave Wilson asked when the next planned reserve meeting was. Bryan Woody stated that it was not yet scheduled.

Dave Wilson offered to document the minutes and action plan for the reserve meeting for the next year, but he was unavailable some days. He noted that Lauren Mullins had committed to doing it but was unable to. Bryan Woody stated that he was flexible with what day of the week the Reserve Committee met and could default to other members when they wanted to meet.

Jim Shoriak announced that Michael James had volunteered to serve on the Reserve Committee. Bryan Woody stated that he would add him to the next meeting. He asked

Dave Wilson to send his conflicts toward the end of March so that they could schedule the meeting.

- **Adjournment**

Hearing no further business, Michael Zarrilli moved to adjourn at 3:00 p.m.; Bryan Woody seconded, and the motion passed unanimously.

Respectfully submitted by Minutes Services.