

**MINUTES OF THE ANNUAL MEETING  
OF  
THE SPIRO CONDOMINIUMS HOMEOWNERS ASSOCIATION**

**December 2, 2011**

The Annual Meeting of the Spiro Condominiums Homeowners Association was held on December 2, 2011 at the offices of Resorts West, 1795 Sidewinder Drive, Park City, UT.

**Attending in person:**

Rory Murphy	Board President
Chip Campbell	Representing Paladin Developer
Steve Perkins	Silver Star Property Manager
James Ballstaedt	President, Resorts West
Scott Russell	Accountant, Resorts West
Ryan Braski	Accountant, Resorts West

**Attending via telephone conference:**

#101 Randy Okland  
#104 John Belisle  
#802 George Tsatsos  
#803 Charlie Johnson  
#902 Tony Muscat  
#1101 Jeff Turner  
#1102 Rob Tomlinson  
#1204 & #3102 Dan McGurl  
#1303 & #1305 Albert Bertha  
#2302 Chris Nunn  
#3303 HT Simonton  
#4301 David & Susie Goldberg  
#4303 Jill Gartman  
#4304 Rob Stone

**Proxy:**

Proxies representing 8 owners were held by Steve Perkins, Chip Campbell and Rory Murphy.

The meeting was called to order at 1:02 PM MST by Mr. Rory Murphy, Board President.  
A quorum was present.

**Approval of 2010 Annual Meeting Minutes:**

Discussion:

Mr. Jeff Turner, owner, asked when issues raised at the previous Annual Association Meeting will be addressed. He expressed concern that no information has been received by owners regarding those issues. Items Mr. Turner would like a response to include:

1. Cable/internet service – Mr. Steve Perkins, Silver Star Property Manager, said there is a proposal for internet service on the table now. This is the first proposal received that offered a good price and is appropriate to the Silver Star project. Century Link’s offer is about half the price of the current service owners are using. The Masters Association voted to accept the proposal with an anticipated June 2012 start date.
2. Property tax appeals/schedules – has this been posted on the Silver Star website?  
Mr. Perkins said it has not been posted. No one expressed any interest this year.  
Mr. James Ballstaedt, Resorts West President, commented that this issue was not forgotten. He said that after last year’s meeting there was some discussion regarding liability issues – it is important to avoid any liability as an Association by encouraging or discouraging a particular homeowner to take specific actions on a tax appeal. He thinks the owners who wanted tax appeal information did receive it.  
Mr. Murphy said that owners were interested in what the appeal procedure is if they believe their property is overvalued.
3. PCMR ski school pick-up at Silver Star - has this been arranged?  
Mr. Perkins said PCMR will do a pick-up at Silver Star with all private lessons subsequent to the first.
4. Listing of day care providers – has this been compiled?  
Mr. Perkins said this has not been compiled. He suggests providing the names of several centers/companies that provide this service. He does not think it wise to appear to endorse individual names.

Mr. Murphy commented that if the Board makes a statement or promise, we need to follow through.

Mr. Ballstaedt said he’ll put information on the website related to the two items not yet addressed. This is the easiest way to communicate with owners.

A motion to approve the 2010 Annual Minutes was made by Mr. HT Simonton, owner, and seconded by Mr. Dan McGurl, owner. The motion carried.

**Financial Presentation:**

Mr. Perkins reviewed the financial statement through the third quarter, September, 2011.

Among the points he noted in the Profit & Loss – Budget vs. Actual statement were:

1. Labor expenses are over budget by \$5,000 primarily due to higher maintenance technician costs. Increased property usage has resulted in additional maintenance and repair services.
2. Supplies reflect a small increase primarily due to lighting costs. Lighting in some buildings is unique and expensive to replace.
3. Contract services are over budget primarily due to landscaping and snow removal costs. Landscaping is over budget by \$2,000 - the result of a lot of territory and a lot of labor. Snow removal and snow removal hauling/Roofs are over budget by \$8,000 due to extremely heavy snowfall last winter.
4. Utilities are \$10,000 under budget, reflecting diligence in conservation efforts.

5. The insurance, taxes and licenses line reflects the total amount of insurance deductibles. The insurance deductibles line reflects the total of four different incidents that were less than the deductible. No actual claims were filed.

Mr. Ryan Braski, Resorts West Accountant, noted that the revenue – member dues, assessments line – reflects a few special assessment and 3<sup>rd</sup> quarter dues collection difficulties. As a result, the budget is below estimate for membership dues revenue.

Mr. Murphy said the Board is in the process of finalizing a plan with a unit's owner group for dues re-payment. This unit is currently for sale.

Mr. Perkins said a second unit was scheduled for closing yesterday. Money owed to the Association will be collected through a lien on the property.

Mr. Braski reported that the Spiro Board has developed a policy clarifying the collection process. It will be sent to owners with the first quarterly invoice of 2012.

A credit card payment option for monthly dues payments is now available to owners. A 3.5% convenience fee is charged for this service (the transaction fee charged by the credit card server). An application for an automatic payment plan will also be sent to owners.

Hopefully, having a collection policy and the credit card option will lead to more timely payments.

### **2012 Operating Budget Presentation:**

Mr. Perkins reviewed the proposed 2012 operating budget.

1. Labor expenses – the maintenance technician line reflects an increase to bring it closer to last year's actual. Some maintenance items will continue to be handled in house rather than hiring outside vendors.
2. Administrative expenses – an increase will occur in the Master HOA dues line as a result of the Masters' approved proposal regarding the wifi change beginning in June. The Masters Association negotiated a project wide wifi service with Century Link at a cost of \$23 (paid into dues) per owner per month. This dues increase is not reflected in Spiro's budget today. This service will replace owners' current internet service (approximate cost \$50-\$60 per month) which is paid out of pocket. Owners will receive a higher level of service for about half the price. Wifi service is anticipated to begin in June 2012. Installation will begin in April 2012 and access to every unit is necessary. The appropriation for reserves line reflects an increase – from \$25,400 to \$42,000.

Discussion:

An owner asked if phone service was included (bundled) with the wifi service.

Mr. Perkins said the plan does not include phone service.

Mr. Turner asked if it was still required to have a land line. Mr. Perkins said land lines are required in units managed by Resorts West.

Mr. Turner asked why the budget reflects an increase in administrative expense of 14% over last year.

Mr. Perkins said the bulk of administrative costs are masters dues and reserve funding.

3. Supplies reflect a small increase in general maintenance. Much of this is related to garage door repairs – one to four doors are damaged each winter, usually by vehicles.
4. Contract services reflect a few changes.
  - Elevator contract – reflects the annual increase. Included are some repairs that are not part of the contract. Spiro has 4 elevators and four elevator contracts.
  - Fire sprinkler contract is more in line with last year’s actual. It reflects ongoing repairs which are expensive. Alarm panel workers charge \$120 per hour, fire systems workers charge \$60-\$80 per hour. It is difficult to negotiate lower prices for these services. Spiro is responsible for the fire sprinkler systems in its four buildings, in town homes 1 through 9 and in the park structures.
  - Mr. Murphy asked if an in-house employee could be trained to inspect and repair the system.
  - Mr. Perkins said a lot of certifications are required. He will look into it.
  - Snow removal contract – reflects a decrease due a to a three year contract.
5. Utilities reflect a decrease based on last year’s actual. Conservation efforts will continue.
6. Insurance reflects a savings because the deductible will increase to \$10,000.
7. Reserve contributions reflect a significant increase - \$3,500 per owner per month for annual total of \$42,000. This is not the recommended reserve analysis funding level but we’re moving in the right direction.
8. Owner dues are currently \$4.38 per square foot (increased due to higher Masters Association dues and reserve fund contributions). With the wifi proposal, dues will increase to \$4.85 per square foot. Annual total dues will increase from \$709,000 to \$719,000. The budget in hand does not reflect this.

A motion to approve the 2012 Spiro budget was properly made and seconded. The motion carried.

**Insurance Update:**

Mr. Perkins stated that all Silver Star HOA policies are through Travelers Insurance. Mr. Clair Christoffersen is the agent.

Mr. Christoffersen explained the changes in Utah law regarding new individual owner responsibilities. The new state law, effective July 1, 2011, states that individual owners are responsible for paying the deductible for any damage that occurs within their unit, regardless of fault. Currently, the deductible for Spiro units is \$2,500. Owners’ HO 6 individual unit policies, under coverage called betterments and improvements (coverage A) would pay your deductible to the HOA policy. The HOA is responsible for the balance of the claim. Prior to the new law, an owner’s HO 6 policy covered improvements made to their unit. It is no longer necessary to insure improvements and repairs – they are covered by the HOA policy. The HOA policy covers everything except personal property and liability, minus the deductible.

Mr. Christoffersen recommends owners have a minimum of \$10,000 coverage (coverage A – betterments and improvements) which will cover their deductible. He commented that the lower coverage amount should reduce owners’ premiums.

**Earthquake insurance Update:**

Mr. Christoffersen said that Travelers Insurance will cover up to a \$10 million cap for all Silver Star buildings at a cost of \$2,019 with a 5% deductible. Silver Star buildings are valued at \$33 million. To buy another \$20 million worth of coverage through a company like Lloyds, the cost would be \$19,053 with a \$500,000 deductible. On top of the \$10 million, the cost is prohibitive. Mr. Christoffersen thinks, if the HOA is concerned about earthquakes, the 10 million policy could be offered. Mr. Perkins mentioned that earthquake insurance was discussed at the last Board meeting as an issue for owners to make a decision about. Mr. Perkins said earthquake insurance policies would not be through the Masters HOA but through each individual HOA. In this case, the Spiro HOA would be insuring Spiro buildings.

#### Discussion:

Mr. Murphy said Park City minor earthquakes are not infrequent, but the real concern is the massive fault line along the bench of Salt Lake City – the reason earthquake insurance is being looked at.

Mr. Perkins said the policy described above is not offered in Salt Lake City. Park City is not considered as high a risk as Salt Lake City.

An owner suggested forming a committee to study the issue.

Mr. Albert Bertha, owner, mentioned that he lives in San Diego and owns multiple buildings there. He thinks there's a higher earthquake risk in California than in Utah. He never buys earthquake insurance for his properties because he believes it's not worth the expense. He commented that if a catastrophic earthquake were to occur, insurance companies would probably go out of business before policy holders were paid. He doesn't think earthquake insurance is to the HOA's benefit and would rather self insure. He said if an earthquake really occurred, the burden would likely be shared by the HOA and owners.

Mr. Christoffersen suggested the issue be put to a vote so HOA members are assured that earthquake insurance has been presented and discussed.

A motion to not acquire earthquake insurance this year was made by Mr. Bertha and seconded by Mr. Turner, The motion carried with three dissenting votes cast by owners Mr. Simonton, Mr. Rob Tomlinson, owner, and Mr. Rob Stone, owner.

Dr. George Tsatsos, owner, suggested investigating seismic activity and revisiting the issue if deemed necessary.

#### **Reserve Analysis Update:**

Mr. Murphy stated that the analysis is very conservative and did not use data specific to Silver Star for its recommendations. He commented that the Silver Star project is solidly built and various costs suggested in the analysis have been adjusted to reflect what we think the reality is. Mr. Jim Long, Cottages owner, and Mr. Perkins did extensive research on issues raised in the study.

Mr. Stone asked if the analysis in hand fully reflects adjustments regarding lifetime expectations for the property.

Mr. Perkins said it does, based on present knowledge. He noted that the reserve is a work in progress and numbers will change over time. He cited, as an example, that the actual cost of the recent re-staining job was 20% less than the analysis projected. He believes there are additional areas where savings can be realized. Further adjustments will be made as we move forward. He encourages owners to study the analysis and alert him to items they think might realize additional savings.

Mr. Turner questioned the revised study's roof life span expectation. His first floor unit roof has serious ice damage issues – he's concerned that falling ice may actually cause a hole in the roof.

Mr. Perkins stated that Mr. Turner's roof area presents challenges – more frequent repairs will be necessary to that roof section than to others. He is not aware of a way to prevent snow/ ice from falling four stories onto that roof section. He commented that this roof issue is unique to the project and will likely need to be replaced prior to the 50 year estimated life span of other project roofs.

Mr. Tony Muscat, owner, commented that, as a general contractor, he does not recommend getting too conservative with cost estimates. He noted that some of the costs seen in today's market are somewhat skewed on the downside. He fully expects the re-staining number that came down 20% will go back up to previous estimates in a couple of years. He is concerned that the project may underestimate too much and find itself in a bind.

Mr. Perkins commented that Mr. Muscat's point was valid. There is a gap between the reserve analysis recommended reserve funding and the current HOA reserve contribution. He said we need to adjust the reserve funding on an annual basis to move closer to the analysis recommendation. He suggested forming a committee to research this issue each year.

A Resorts West accountant stated that, according to Utah state rule, owners are to evaluate the reserve analysis every year, and make assumptions and decisions regarding whether funding amounts will come from dues or special assessments, or both.

He noted that the Board wants to minimize dues increases now because of the economy but pointed out that the next building re-staining is anticipated in five years. If funding and dues stay at the same level, a special assessment will be necessary. If dues increases occur quarter by quarter during that time period, a special assessment would probably not be necessary. He thinks it would be valuable for a committee to study this issue and determine the best route forward.

Ms. Jill Gartman, owner, said the Board had discussed the reserve issue and felt comfortable with the budget numbers designated to reserve contributions. A sub-committee from the HOA's general membership will be created to thoroughly study the reserve issue over the next year and develop a comprehensive plan going forward. Recommendations would be made when the 2013 budget discussions get underway.

Ms. Gartman suggested Mr. Muscat serve on this committee. Mr. Muscat agreed. She also suggested that individuals owning several Park City properties volunteer for the committee.

Dr. Tsatsos suggested that committee members have some experience /background in pertinent areas.

Dr. Tsatsos and Mr. Murphy will volunteer if not enough owners come forward.

## **New Business:**

### **1. Garage storage:**

Mr. Murphy noted that several owners in Spiro Building A (restaurant location) were concerned that the south garage – the smallest, but most utilized – was being used for a variety of purposes other than resident parking. The following ongoing issues were mentioned: food storage; food delivery; golf cart access; general employee use; and non-resident parking. The garage is the closest to Silver Star shops and activities and has a limited amount of space.

An owner commented that, in general, all Spiro garages have storage issues. Guidelines need to be developed.

An owner suggested a manager deal with the storage issues.

Mr. Murphy said there is a storage policy in place but it has not been observed.

### **2. The golf cart issue is a pressing concern to a number of Spiro owners. It is noisy and disruptive, and affected owners need the problem resolved.**

Mr. Murphy mentioned that it was decided at this morning's Masters Association meeting to form a committee to find a solution to the golf cart noise/disruption problem. The committee is charged with developing a plan to either eliminate the problem or mitigate the issue as much as possible.

Mr. Tomlinson noted that in conversation with Mr. Chris Conabee, representing Paladin Developers, at this morning's Masters Association meeting, the suggestion was made to relocate the golf cart to the golf course. This would keep the golf cart off Silver Star property and project buildings would not be dealing with the disruptive impact it creates. Mr. Tomlinson thinks this is a reasonable possibility. Mr. Murphy agreed.

### **3. Premier Resorts bankruptcy status:**

Mr. Turner mentioned that he had received a letter from bankruptcy court listing the top 20 claimants – he wasn't on the list despite having a large dollar amount claim. He asked for an update on the Premier issue.

Mr. Perkins said it has been six months since any formal notification has been received by Silver Star.

Mr. Murphy said he has met several times with HOA leaders from other condo associations (affected by Premier's actions) in an effort to determine the best way to attack the situation from either a criminal or civil perspective. It appears that when Premier declared bankruptcy, they made it very difficult, if not impossible, to file additional civil actions against them. Essentially there was very little money left to divvy up among the many claimants. Mr. Murphy spoke with the county attorney regarding criminal prosecution and understands that, unless evidence is found to the contrary, the county has elected not to press charges. Mr. Murphy pointed out that a huge amount of time had been invested by the county. The FBI and state attorney's were involved as well. It was determined that, because of the way the law was written, Premier was able to get away with their actions. Mr. Murphy noted that the local Chamber of Commerce does not think additional regulation is necessary with regard to the comingling of funds despite the fact that this situation has occurred four times in the last ten years.

4. Mr. Turner commented that he has had a mortgage application denied twice because the lender said Silver Star was, in fact, a condo hotel.

Mr. Murphy said he has dealt with this issue with lenders in the past. We are not a condo hotel. There is a property firm on site – simply because there’s a desk here owned by Resorts West does not make us a condo hotel. If lenders read the CC&Rs and their underwriting is done properly, they would know we are not a condo hotel. The perception may be that we’re a condo hotel but that is not the reality and our documents bear this out. He believes lenders are looking for a reason to deny loans.

Dr. Tsatsos suggested having the lender put their concerns in writing and forward it to the Spiro HOA. It can then be responded to formally.

Mr. Perkins stated that he fills out this information frequently for lenders. He has found that some lenders consistently go in that direction.

Mr. Murphy commented that the issue is a frustrating problem. He noted that Paladin still has a condo - he would be happy to put a lender up for a night or two and ask any questions of anybody at Silver Star regarding this issue.

5. Dr. Tsatsos raised the subject of Silver Star’s \$35,000 contribution to Spiro Arts. He is bringing this issue up for review because he believes we can no longer support Spiro Arts to this degree during the current economic times. He cites the difficult budget decisions the HOA had to make and thinks several hundred dollars per unit owner may be a hardship for some owners. Dr. Tsatsos wants to move forward with this issue. Mr. Murphy commented that Dr. Tsatsos makes a valid point but pointed out the Spiro Arts is hard wired into the documents and would require a large majority to nullify. This cannot be voted on today because we would need to notice homeowners. He understands that Dr. Tsatsos would like to have an open forum discussion regarding this topic.

An owner asked how the \$35,000 Spiro Arts contribution is used.

Mr. Murphy said it basically pays for programs, one year round employee, three employees during the artists’ residency periods, stipends, etc. Paladin donates housing and studio space.

A new owner commented that he is thrilled to be associated with Spiro Arts and receives many positive comments from family and friends who have visited and seen the artists and their work. He thinks it’s money well spent and adds value to our units. The artists program, the Sundance connection and the project itself are very well received.

Mr. Murphy thinks that having a cultural aspect to the project such a Spiro Arts helps carry us through harder times. People appreciate that we have this here – not many projects have anything like Spiro Arts.

Dr. Tsatsos reiterated that \$35,000 of a \$90,000 budget is a significant amount of money, especially when housing and studio space, etc. are included. He commented that many people are working hard to bring value to the Silver Star project – difficult



budget decisions, keeping repairs to a minimum, etc. – he does not want to send a message that undervalues these efforts.

An owner commented that the art program is a big part of what attracted him to the project in the first place. He believes this is true of a number of other owners as well. He sees Spiro Arts as a commitment and core feature that was incorporated into the property and, just like being part of the ski resort, it's also part of the Sundance complex.

He observed that clearly this will be a long, impassioned debate that can't be resolved today. He suggests we agree to have this discussion at a later date and looks forward to defending his position when we have a more opportune time to debate the issue.

Mr. Perkins will put this issue on the Masters Association agenda.

Mr. Murphy said this will give owners time to consider their opinions of the value of the art program prior to the meeting. Discussion regarding this issue is necessary.

Mr. Simonton requested that it be properly noted that earthquake insurance was discussed and that the Spiro Board is not liable for any issues related to that discussion or final decision.

**2012 Annual Meeting Date:**

The 2012 Annual Meeting date is tentatively scheduled for Friday, December 7, 2012.

The meeting adjourned at 2:36 PM.