

BACHELOR GULCH VILLAGE ASSOCIATION
Board of Directors Meeting
via Videoconference
April 1, 2022

A meeting of the Bachelor Gulch Village Association (“the Association”) Board of Directors was held on April 1, 2022. In attendance via videoconference were Board members Nadia Guerriero, Brian Kushner, Nick Nichols, and Phil Metz. Also in attendance were Lee Hoover, Association Manager; Dana Miller, Sr. Financial Analyst; Lisa Mayers, Association Attorney; Steve Nusbaum, Sr. Manager, Sid Schultz, Sr. Analyst, and Sam Hearn, Sr. Analyst for Design Review Administration; Koby Kenny, Director of Public Safety; Dan Dickhart, General Manager, and Jasen Brown, Director of Engineering for The Ritz-Carlton; Mike Leeds and Linda Mossman, Design Review Committee Members; Audry Barber, RA with Ruard Veltman Architecture; Blair Hayes and Beth Sankey, property owners; and Carol Floyd, Secretary for the meeting.

Nadia Guerriero called the meeting to order at 2:01 p.m. Lee Hoover confirmed a quorum was present and proper meeting notice had been provided.

Approval of Board Meeting Minutes

Brian Kushner moved to approve the December 21, 2021 Annual Board of Directors Meeting Minutes as presented. Nick Nichols seconded the motion and it was unanimously approved.

Review of Annual Board Meeting Minutes

There were no comments or suggested changes to the draft version of the December 21, 2022 Annual Member Meeting Minutes. Carol Floyd noted the minutes will be approved in conjunction with the 2022 Annual Members Meeting.

Public Input

Nadia Guerriero spoke about the unfortunate and sudden loss of Board member, Gary Shimanowitz, who passed away on February 25, 2022. She noted this leaves a vacant Board seat. Gary was Vice President of Mountain Operations for Beaver Creek Resort. He was with Vail Resorts for 31 years and made a massive impact across the resort at Beaver Creek and Bachelor Gulch. Gary is very much missed. Mike Leeds commented on Gary’s leadership and the difference he made with those he worked with.

Design Review Board

Steve Nusbaum gave an overview of the appeal of a Design Review Board (“DRB”) decision related to 2385 Daybreak Ridge. When a final inspection was done, several discrepancies were noted between what was built and what had been approved. This was brought to the applicants’ attention. They then submitted a modification to approved plans which was denied by the DRB. That decision was appealed and the DRB upheld their decision. The appeal pertains to structural detailing related to windows on the house. Audry Barber, architect for this project, stated the opinion that the originally designed windows without posts were in compliance with the Design Guidelines. She spoke about an informal survey that was sent to all property owners on Daybreak Ridge. The responses were strongly in support of allowing the property owners to design the windows as they proposed. Two of sixteen respondents were in favor of the required posts. Audry explained the property owners do not like looking out of the windows through posts. She asked for permission to take out the posts that have been installed and not put in those that have not been added. Linda Mossman and Mike Leeds commented on the DRB’s clear direction throughout the process. Beth Sankey acknowledged the importance of compliance with the Design Guidelines. She said their intent was to build a home that is current without moving too far in the wrong direction. She explained the purpose of the survey was to get input from neighbors to determine if there would be a problem with their design. Feedback received from the survey suggested the guidelines may need to be readdressed. Lisa Mayers referenced the Declaration whereby the Board of Directors shall review the action of the DRB and shall, in writing, confirm, modify, or reverse the decision of the DRB. Any decision by the DRB or Board of Directors which results in disapproval of the project design shall specifically describe the purpose, development plan, covenant, or provision of the Design Rules and Regulations with which the project does not comply and the manner of noncompliance. Steve Nusbaum referred to Section 3.2.11 of the Design Guidelines and Regulations which speaks about window composition and large scale vertical and

horizontal structural members. The Board agreed to discuss this matter in an Executive Session toward the end of the meeting.

Public Safety

Koby Kenny spoke about changes to how the fire mitigation process will be conducted this year. Since 2017 a forest sustainability plan has been used to plan for projects within each community separately. Greater Eagle Fire Protection District has formed a wildland fire committee that is focused on wildfire mitigation in the greater community. With new technology to simulate how fires start and grow, they will prioritize areas within Bachelor Gulch, Beaver Creek, Arrowhead, and beyond. Old Growth Tree Service and Bachelor Gulch Metro District will provide resources and perform the work. The area that has been identified to make the most impact is located adjacent to and surrounding the entrance to Bachelor Gulch above the Wolf Lot on both sides. This work will commence once the snow melts. Lee Hoover added that as the projects are finalized an update will be sent to the Board including timing.

Financials

Dana Miller provided a financial overview as of February 28, 2022. The Balance Sheet shows \$13.7M in assets of which \$13M is held with Wells Fargo accounts and \$573K in refundable deposits. This is a \$5M increase in assets compared to this time last year. \$250K in accounts receivable reflects the accrual for civic assessments that will be collected the next month. The bulk of liabilities is the balance due to Vail Resorts for expenses that are paid the following month. Of the \$8.6M in operating equity, \$5M was carried over from the prior year. The surplus year to date is \$3.4M and capital equity is \$4.7M. On the Income Statement, \$3.7M in real estate transfer assessments (“RETA”) has exceeded the \$2M budget for 2022. Dana noted the conservative budget was based the five-year average excluding the last two years. 16 single-family homes have been sold for over \$5M, and five of those over \$10M. Civic assessments are over budget year to date by \$482K. Expenses are favorable to budget by \$370K and the biggest factor is Transportation, based on hours billed. There are other positive variances in Public Safety and legal expense. Dana reviewed Improvements and Replacements. \$5K in security vehicles was the light bar for the vehicle that was purchased last year. The remaining projects will commence in spring and summer. Dana discussed the 2021 financial audit conducted by McMahan and Associates. She noted a correction for the sale of a bus that was recorded in 2018 but did not occur until 2021. This adjustment did not change the Income Statement. There were minimal audit adjustments. A listed recommendation, to align with the Association’s Investment Policy, was for all funds to be covered by FDIC insurance. Dana met with Brian Kushner on this matter last week and she is reaching out to other investment firms for proposals. She is also searching internally for recommendations from the Vail Resorts Treasury Department. Nadia Guerriero asked that Dana provide a copy of the investment policy along with her recommendations. Dana reviewed the audited Income Statement including \$8.1M in revenue, \$5.4M in RETA, and expenses of \$3.9M. The 2021 surplus was \$4.2M. Historically, the Board has held \$1M in the operating equity and transferred the excess surplus to the reserve fund.

Brian Kushner moved to transfer the 2021 audited surplus in the amount of \$4.2 million to the Reserve Fund. Nick Nichols seconded the motion and it was unanimously approved.

Other Business

Black Hills Energy Rate Case: Lee Hoover relayed an update on the Black Hills Energy (“Black Hills”) rate case from Ireland Stapleton. The case has been resolved with a rate increase settlement of 3.5%, 47% less than the proposed 6.7% rate increase. Brian Kushner suggested Black Hills may have petitioned for another rate increase. Lee agreed to look into this.

The Ritz-Carlton Sound System Update: Lee Hoover reported on the music sound level at The Ritz-Carlton (“Ritz”) and the solution in progress. The outdoor performer’s music is no longer on a portable mobile sound system and is part of the Ritz’ sound system. Speakers on both sides of the patio limits the need to turn up the volume for everyone to hear and allows the Ritz to maintain control of the noise level. Lee is awaiting a cost proposal from Xssential and K2 Audio Visual for an automatic limiter to be integrated into the sound system that would prohibit the volume from

exceeding a set level. It would also provide notification if such level is exceeded. This proposal is expected within 30 days. If approved, it would be implemented in the fall. Jasen Brown stated the Ritz is currently monitoring the noise level hourly. He added the automatic limiter will keep the volume within State regulations and avoid disturbances throughout the community. Brian Kushner questioned if this would be part of the Ritz renovation project. Jasen answered once pricing is received and the project is approved, he is hopeful it can be accomplished before July 1.

Pickleball: Lee Hoover informed the Board that Bachelor Gulch residents will have access to the Beaver Creek pickleball courts this summer. He will facilitate communication to property owners in conjunction with the Bachelor Gulch Residents Association. Lee is working with the Beaver Creek Tennis Center to track usage by Bachelor Gulch residents providing a data point to determine the path forward for pickleball within the community. Phil Metz added clarification noting there will be timeframes reserved for Beaver Creek Club members and other time periods open to resort guests including Bachelor Gulch homeowners.

Bachelor Gulch Metro District Donation: Lee Hoover relayed a request from the Bachelor Gulch Metro District ("BGMD") for a possible donation from the Association. Lee stated donations were given to BGMD in the amount of \$2M in 2016 and \$1.5M in 2018. Paul Jardis has indicated BGMD intends to pay down \$2M of their current \$4M debt this year. Lee referenced the Memorandum of Understanding which accompanied the 2018 donation suggesting a similar document could be prepared at the Board's discretion. Dana reviewed year-end financials for 2016 and 2018 noting, when the contributions were made, \$2.6M and \$1.2M was left in the cash reserve, respectively. If a contribution were made in 2023, \$6.2M would be left in the cash reserve. Dana said this amount does not account for any estimated surplus from 2022. Dana also pointed out that the previous voluntary payments were approved as part of the Association's budgeting process and ratified by membership. Nadia Guerriero asked if there would be a tax benefit to property owners and the Association. Dana agreed to follow-up with McMahan and Association regarding any tax implications. Discussion took place with regard to the Association's ability to designate the funds for improvements and debt reduction. Nick Nichols asked Mike Leeds to share BGMD's priorities. Mike replied fire mitigation, improved cell service, reduced debt, and to ensure sufficient reserves. Blair Hayes commented on the potential for a reduction of the mill levy in 2023 or 2024.

Other Business

Jasen Brown noted the Ritz will close Monday after check-out to embark on a room renovation. The hotel will reopen the first of July. There will be no services at the hotel during this time.

Mike Leeds and Brian Kushner thanked Nadia Guerriero for a great season and commended her on pulling her team together in the midst of very challenging circumstances.

Brian Kushner moved to enter Executive Session to seek legal advice from counsel. Nick Nichols seconded the motion and the Board entered Executive Session at 3:24 p.m.

The Board exited Executive Session at 3:30 p.m.

Brian Kushner moved to uphold the decision of the Design Review Board to deny the appeal of Jim and Beth Sankey regarding 2385 Daybreak Ridge based on Section 3.2.11 of the Bachelor Gulch Design Guidelines. Nick Nichols seconded the motion and it was unanimously approved

There being no further business, Brian Kushner moved to adjourn the meeting at 3:40 p.m.

Respectfully submitted,

Carol Floyd
Secretary for the Meeting