

RECORD OF PROCEEDINGS
MINUTES OF THE
THREE SPRINGS MASTER ASSOCIATION
and
THREE SPRINGS RESIDENTIAL ASSOCIATION
ANNUAL MEMBERS MEETING
September 20, 2017
6:00PM

ATTENDANCE

Directors in Attendance:

Kurt Prinslow, President (KP)
Tim Zink, Treasurer (TZ)
Jon Penny, Secretary (JP)

Homeowners in Attendance:

Mark Witman
Cheryl Ryser
Judy Campbell
Frank Weis & Adele Rittmueller
OD & Betty Perry
Marvin Giersch
Dean & Kim Reeves
Cindy Smart
Susan Campbell
LA Phelps
Michael Eberspacher
Scott Peterson
Dave Rahn
Jeff & Bonnie Rozean
Annelle Fletcher
Jeff Miller
Tom Bettin
Carol Fifield
Todd & Zoe Daney
Sara McCourt
Mery Calle
Linda Rector
Bill & Barbara Dodds
David & Joanie Hupp

Kathy Holmes
Cyd Westbrook & Tom Gray
Duane & Rose Kellinger
Franne Cummings
Denise Demsko
Gena Christopher
Bill & Jackie Frederick
Cynthia Swanson
Mary Merchant
Charlotte Mason
Bette Yanke
Vicki & Phil Roth
Chris Farquar
Barbara Engel
Drew Redman
Dwayne & Cheryl Howell
Mark & Michelle McKibbon
Cindy Engel
Jean Kuss
Chelsea Wendland
Mike Andrews
David Theobald & Jen Downing
Steve Whiteman
Anna Shoolroy
Todd Sieger
Steffi Neiman
Allan Drewa
Luanna Castellano
Catherine Moler

Others in Attendance:

Frankie White – Accountant for Association, Clark, White & Associates, Inc.
Kelly Vos (by phone) – Attorney for Association, Spencer Fane, LLP
Tom Shipps – Declarant (GRVP, LLC)
Patrick Morrissey (PM) – Declarant (GRVP, LLC)
Delores Ferguson – Capital Consultants Management Company (CCMC)
Denise Hogenes – Capital Consultants Management Company (CCMC)

BOARD PRESENTATION

1) Explanation of Board's operational vision (Kurt Prinslow)

Kurt gave background about Three Springs being a Master-planned community and how unique that is for this area. He spoke about the general differences between the Master and Residential Associations and how the Design Guidelines live in the Master

Association, whereas the Residential Association generally handles the CC&R compliance and hammerhead alley management. He spoke about the roles of the board members being much more than management of the associations – TZ with portfolio/asset management, JP with development/construction management, and KP with planning management. Declarant has been funding/subsidizing/underwriting a lot of things since the beginning of Three Springs, and these line items will be detailed later this evening at the budget adoption. Board tried to bring on property management firm last year and it didn't work out. We sent out RFP and 1 local company never got back to us and 2 opted out b/c Three Springs was too big to handle. Contacted CCMC because of other relationships we have with CCMC, in addition to their good reputation. Three Springs has grown to where it needs a full-service management firm now, not to mention a management firm that can handle the future growth of Three Springs. The Board has discussed bringing an outside management firm over the last few years. We've been contemplating this and now is the time to make this move.

2) Explanation of budget process (Tim Zink)

TZ: Question has been asked in the past, "do the members approve budget?" Tim read governing docs. (e.g. Board adopts, members get notified for meeting w/in 90 days, for a member vote to veto. There is a process.)

Q: We've done every year? A: Yes.

TZ: Reiterated what Kurt explained before. There are 3 meetings tonight. Main topic tonight is to bring in fulltime management company. Like Kurt mentioned before, there was an RFP process. 1 local company never got back to us and 2 opted out b/c Three Springs was too big to handle. We reached out to national company we had relationship with in Denver. Three Springs is a large Master-planned development in small market. No local company can handle a community the size of Three Springs. It didn't make sense to do a stepped approach with CCMC because Three Springs needs a full service firm now (e.g. Billing, CC&R compliance, Accounting, etc.). TZ is going to provide detailed line-by-line process when we get to budget on agenda. Once board adopts budget, then board notifies membership of vote/veto for budget within 90 days. A Special Meeting will be called. Quoted governing docs, via email or hard copy. Let us have your emails. Look for meeting notice in mail in the next week or two. If membership vetoes the budget, then we can propose a new budget, if within timeframe of budget approval, or the budget reverts to previous year's budget
KP: Talked about history. Typical September adoption and veto was held at December meeting.

Kelly Vos (attorney for Associations): She read Section 7.13 of Master Declaration and Section 7.15 of Residential Declaration regarding the 75% of the voting power of all Owners to veto the budget at the meeting.

Q: # of members?

A (TZ): Different # of members in Master and Residential

Q: Why are dues the same across the board regardless of home size and/or bedrooms?

A: Assessing membership dues based on the assessable unit basis is the most equitable for all of the members and is required by the governing documents.

Q: Is this the first time board has brought this up or first time going over the details?

A: Process has been in place and been the same every year, this is just first time it's received this much attention.

Q (Cory Kahn): Membership % question. Stated %. With growth rate, what typically happens?

A: Declarant's % typically decreases.

Q: What makes up declarant's membership #'s?

A: Between vacant lots, rental units (affiliate, GF3S), these make up the declarant's membership

KP: We will follow up with Q&A's after these meetings tonight that we'll post on our website.

3) Presentation by CCMC – (Denise Hogenes and Delores Ferguson)

4) Q&As

Q: The full-time person onsite, will they be local and understand Durango lifestyle?

A (Denise): Yes, we would like to hire someone local who understands Durango and would prefer to have them in the Three Springs office.

Q: With fees going up, where does that money go? Shoveling and snow removal of Green Courts is a metro district cost.

A: The line-by-line details of the budget proposal will be discussed once we resume the quarterly meetings after this one adjourns. The costs that the declarant has historically paid will be discussed in detail. The Associations are non-profit entities and, therefore, any surplus from actuals v. budget are retained in the associations.

Q: Impressed by menu of services. Are all of those fees associated with those services spelled out in the contract?

A (Delores): We try to include every item based on that fee.

Q (Bonnie Rozean): What is the initial term of the contract?

A: 3-yr contract

Q: What is the fee?

A: We'll go over that in the budget

Q: Will Declarant pay the fees?

A (Declarant, (PM)): Yes, the declarant will be approximately 50% of increased fees in Master and approximately 20% in Residential fees. Overall, approximately 30% of the increased fees. Historically, Declarant has paid approximately 72% of total assessments. There is a time limit for Declarant – 20 years total, so, GRVP will be declarant for approximately 10 more years. We want the Association to be successful when we're gone. Time limit will most likely happen before %-buildout declarant condition.

Q: As you (the declarant) transfer lots to homeowners, will the fees go up or stay same?

A (PM): It is likely they could go down as the membership grows and as we (the declarant) plat more lots and sells those lots to others (builders/homeowners), but that depends on a lot of variables. As lots get platted, then they get annexed into the association so membership grows. The Declarant would entertain appointing residents to the board. The declarant has mentioned at previous membership meetings that they would like to see residents on the board but no one has shown interest in the past.

Q (Suzy Campbell): Did you look at other competitive bids from national companies?

A (PM): CCMC won a competitive bid in one of our other Master-planned projects in Denver. Since they are a national company with a good track record in Colorado, and they've performed well for the members in this Denver community, along with their prices being competitive, it was an obvious choice to further explore an agreement with them.

Q (Suzy C.): Why do we need someone on site?

A (KP): We need someone onsite, especially with the calls we get and the time that it takes to deal with them.

A (Denise): This is about growing up the community to address true emergencies that occur after regular business hours. Having this service provides a faster remedy to issues that may affect the community or cause property damage. It is also the quickest and more convenient way rather than waiting for service until the next business day.

Q: What is the scope the management company will provide?

A: TZ said the association still hires contractor to plow the alley and administers contractors. KP explained contract management.

Q: Do we have a problem with Accounts receivables?

A (Frankie): Explained that Clark, White, & Associates isn't set up for ACH or Credit Card processing. CCMC is.

A (Denise): Non-paying homeowner pays for those services.

Q: Where do the fines go?

A: They go to the operating statement.

Q: If we come in under budget, can members get this back?

A: We haven't in past, but next year's assessments could possibly be reduced. Again, any budget surplus is retained in the Associations' balance sheets.

A: KP mentioned the fine policy is online. KP said we tried a limited management scope with AREM and it didn't work.

Q: How did we get here? You didn't foresee 2200 homes? I say you were unprepared. More apartments are all I see.

A (PM): We are prepared and the CC&R's have been in place from the beginning. We've have discussed this at the last few annual meetings. We tried with AREM and it just did not work out. We've thought through this and it is time to hire a management company that has experience in Master Planned Communities.

Q: What has been your obligation to the association for 20 years?

A (PM): We don't have an obligation, we could have raised fees earlier. Ultimately, the members will take over after 20 years (10 years from now) and I am proud of the staff for creating a great community. [Applause]

Q: This fee that is increasing, is that the current membership or total buildout?

A: Current

Q: To Denise, would fees go down from 600 to 2000 members.

A (Denise): Depends on level of service and if it increased when there are 2000 members. We would have to project that in a model.

Q: Does the 75% of the veto apply to amending the CC&R's?

A (Kelly Vos): It's a two-thirds (2/3) vote for Amendments to the CC&R's

Q: To Denise – How will our quality of life improve with CCMC managing?

A (Denise): We would have the ability to seamlessly regulate. No offense to the previous management of the associations, but we think the response time would be better than what you've received in the past and what you're receiving now. The Board is responsible to members and CCMC is responsible to the Board. On one of the Q&A's, there was a question could volunteers help with welcome package. We would definitely welcome volunteers to help out in different ways.

Q (Andrea): Regarding maintenance items like crosswalks within City streets, could CCMC champion with the City to help make this happen.

A (Denise): Yes, we develop relationships with the City and other entities to help resolve those things.

Q: Is Frankie going to be gone?

A: Frankie answered and said she would not be the accountant anymore if CCMC is hired.

Q: What does CCMC stand for?

A: Capital Consultants Management Corporation

Comment (Jeff Rozean): He said he was a Controller for condo company and has experience with associations and the costs to run them. When he and wife moved to Three Springs, he asked himself, why are dues so low? He knew that the Declarant has, most likely, been paying/subsidizing a lot of the expenses and knew he and his wife, along with the other homeowners, have been benefitting from it. He knew one day that these expenses would eventually need to be paid for by the associations as the declarant transitions out. Over time, homeowners will run this board. He admits, he doesn't like the size of this increase, but he's also surprised that it hasn't happened sooner. He said his fellow homeowners need to start thinking long-term. He predicts he won't be surprised by what the declarant has been paying once the budget is presented next.

Q: Will the new company help with mosquitos? Also, he has lived in HOA's before and he agrees that a full-time management company is needed at Three Springs.

A: Denise said they could help coordinate with the local mosquito district.

Q: When is Three Springs going to be fully built out?

A (Pat Morrissey): In approximately 25 years

Q: Will you develop large quantity of lots so that declarant gets more votes?

A (PM): No, at this time, it's more economical to develop in small phases. We will try and maintain 1-2 years of inventory.

Q: Accounting will be absorbed into new company?

A: Yes

Q: 600 members in master now. What was history?

A: Tim explained the history and also how the apartments are in the Mixed Use Association.

Q: for CCMC – There is a vacant lot, whom he thinks the declarant owns, next to him whose lawn has weeds. If it is declarant-owned, will the declarant be held to the same standards everyone else is?

A (CCMC): Yes, they will.

PROPOSED AMENDMENTS

There were no proposed amendments.

2018 MEMBER OF THE BOARD OF DIRECTORS – APPOINTED BY THE DECLARANT

It was decided by the declarant to appoint the following board of directors:

Kurt Prinslow
Jon Penny
Tim Zink

The declarant (PM) again reminded everyone that if any homeowner is interested in being on the board, please submit a request and he will take it into consideration. He might possibly appoint 1-2 more homeowners to the board.

ADJOURNMENT

There being no further business to come before the Board; and upon motion duly made, seconded and unanimously carried, the meeting was adjourned.