



ANNUAL HOME OWNERS MEETING MINUTES

14 FEBRUARY 2015

CALL TO ORDER: The meeting was called to order at 15:09 by Randy Haddock, president.

CONFIRM QUORUM: A quorum of the home owners was confirmed by Randy Haddock, President. Board members present were Randy Haddock, Dale Anderson, Linda Sakai. Tom Chasse and Paul Pimentel were unable to attend. Property Manager, Tom Curtiss, was present. Schweitzer Mountain Resort representatives present were Devin Marks and Laura Whitby.

REGISTRATION AND INTRODUCTIONS: Registration and introductions were made.

OLD BUSINESS:

- a. Approval of the February 2014 Annual Meeting Minutes was unanimous without additions or corrections.
- b. Review of 2014
 - a. President's report - Randy Haddock: There have been some rumors circulating that are not true, and Randy wanted to elaborate on what the Board did in the last year and put these rumors to rest.
 - a. Randy passed out literature describing the entities that provide support services in and around the Schweitzer community. The White Pine Lodge is the largest entity on the mountain, and pays about \$4,800 in dues to the Schweitzer Mountain Community Association (SMCA). Financially, we did well in 2014. We had about \$35K in unexpected expense in 2014 because we moved a CAPEX item up, and we replaced the carpets this year. We did not actually lose money. We did not have to increase the dues.
 - b. We had a geotech firm, AllWest in Hayden Lake who did the original soil analysis for the building, survey the building with Dale Anderson. We have some things we have to do to the building in the future, but, overall, the building and its foundation are solid. We do have erosion issues that will need to be fixed in the next few years. The retaining wall on the south side of the building next to Pucci's Pub is a temporary wall that was put in in 2002. At that time, it was thought that the White Pine II would be built in the following 1-2 years, so a permanent retaining wall was never put in on the south side of the building. We will need to put in a permanent wall according to the AllWest report in the next few years. Dale Anderson will give us the details of the AllWest report later in this meeting. We have maintenance items that will need to be done in the coming year to include refinishing the wood trim inside the building. We have budgeted approximately \$28K for CAPEX improvements this year, but our CAPEX may go higher because of the AllWest report and the erosion control measures we will need to undertake for 2015.

- c. Randy went into detail about the Board's decision to change the building's service provider from Schweitzer Mountain Resort to DSS for 2015. The Board did its due diligence in selecting a service provider, and the process took 4 months. When we entered the year, 2014, the Board had no inkling that we would change our service provider, SMR. We were satisfied with the job SMR was doing. However, it is the responsibility of the Board to periodically bid the building's service contract out to do our due diligence for the homeowners in making sure we are getting the best price for services. In our July Board meeting, we were told that SMR may not be providing services to the building in 2015. Because of this, the Board decided to obtain bids from other potential service providers. In September, Tom Chasse did say SMR would put together a price for the service contract, but he also said we should find an alternative provider. By that time, the Board had already set in motion the bidding process for the service contract. In this process, we developed a detailed task (subjective and objective) list for a statement of work. There is a copy of this statement of work that was used to bid out the 2015 White Pine Lodge service contract for anyone at the meeting to read. Dale Anderson and Tom Curtiss worked on the statement of work which was written mainly to outline what needed to be done in the building, and how to measure the quality of that work. The statement of work was the critical piece of the bidding process. We also wanted some subjective items in the statement, such as better communication, better working relationship, improved accountability, and responsiveness with the building's service provider. We wanted a proactive maintenance program, a way to identify items in the building that needed attention. We did not want to wait for something to break if we could help it. We wanted a signed contract because we have never had a signed service contract for the building with SMR. We felt a signed agreement was a critical piece in the service contract. It is a very common business procedure to have a signed contract where there is a hold harmless, an indemnification, and have insurance protection with an additional insured status. The service contract entails 5 main categories: (1) maintenance; (2) custodial; (3) refuse disposal; (4) building security; and (5) front desk services. Dale and Tom Curtiss went through each of these 5 categories and determined what services were needed for each category in order to develop a statement of work. We had bidders walk through the building with Tom Curtiss. The bidders and Tom discussed the old scopes of work, and the new statement of work. Each of the bidders references were cross checked. Then the bidders were interviewed by a Board member. There were originally 3 bidders, but one was dismissed early in the process. Schweitzer sent their bid to us at the end of October 2014, but we had not agreed on a contract. Contract discussions with SMR went on through November 2014. DSS gave us a quote in November, then we started the vetting process for DSS. On 12-5-2014, Randy emailed Tom Chasse to let him know we had a very competitive bid, and if SMR wanted to change their bid for the service contract. We also wanted a signed contract from our service provider for 2015. We did look at some subjective things. SMR has the advantage of proximity, long term knowledge of the building, and our familiarity with their people for 12 years. DSS presented us with a formal preventive maintenance plan for the building, provided us with a transparency program where the Board and our Property Manager have access to their maintenance logs, has construction expertise as they are high end custom home builders, and would have dedicated personnel in the building during certain blocks of time. Since we never received the final contract bid from SMR by the 12-12-14 deadline, we went with DSS. DSS signed our service contract with no modifications. We did not have a signed contract from SMR by that point. Overall, it was a very tough decision because both DSS and SMR had valuable services. In the end, the decision to accept DSS for our service contract came down to money. The DSS bid was \$20K lower than SMR's bid. The Board made a fair and reasonable decision in choosing our building's service

contractor. We separated the front desk services from the service contract, and will have SMR continue to perform this task for us. We also contracted with SMR for emergency maintenance services on an ala carte basis. The Board did its due diligence in selecting a service provider, and the process took 4 months. So far, DSS has been doing a great job, but only time will tell.

- d. HOA Dues: Some owners have asked, "Since we have a \$20K savings in the service contract, why aren't our HOA dues being decreased?" If you look at the budget, we have other costs that are going up. Last year we had a \$30K loss, so we want to build up our cash balance this year. There was \$20K in CAPEX (capital expenditures) for 2015. We are anticipating some major repairs to the building in the near future. We do not know what the exact costs will be for: (1) erosion control under the Great Room; (2) bulging spa retaining wall; (3) the downspout problem in the front of the building; (4) repair and re-staining of wood trim in the building; and (5) unknown, unanticipated, future calamities. For these reasons, we did not want to lower our cash flow by lowering HOA dues. We have had 2 insurance claims in the last year: (1) the water leak under the building; and (2) a liability law suit for a slip and fall in the spa area in December 2013 which may go to court in November 2015. Two claims like these may cause our insurance rates to rise in the near future.
- e. The new White Pine Lodge website: Owner, Gavin Young, constructed our new website. Randy encouraged owners to subscribe to the new website. If we can get enough owners to sign up, we could post a lot of information on it. It could be very informative for owners. The website is whitepinelodge.us. You may unsubscribe to the website at any time.
- b. Profit and Loss, Balance Sheet - Tom Curtiss. It was another great year for White Pine owners. Capital improvement to the building in 2014 included the staining of the front of the building (\$27K) and new carpets installed (\$40K). We resolved the water leak without a net loss. Our balance sheet looks healthy. The total Reserve balance decreased from \$178K to about \$140K in the last year. Excluding the carpet installation and the staining project, our total 2014 expenses were about \$11,500 unfavorable against the budget (maintenance and elevators). The Board competitively bid the service contract, and made some changes to improve service and reduce costs. Homeowner dues remain unchanged in 2015. We do expect electricity and gas to increase in 2015. But electricity and gas expenses are tied to building occupancy. Refer to the White Pine HOA Financials in the HOA meeting packet sent to owners for details. It is a comprehensive breakdown of the profit and loss for 2014 and the 2015 budget. Highlights of this were: (1) our biggest variance in our maintenance costs (-\$5,390) was in our elevators because of an every 5 year inspection, done in 2015, that the State of Idaho requires for commercial grade elevators.; (2) we had plumbing repairs (-\$10K) related to 6 shower traps leaking, and we anticipate more shower traps in the building requiring this repair in the future; and (3) capital expenditures (-\$27K) that were forecasted but comes out of our cash Reserve. At the end of 2014 we show a net loss of \$78,212 because we were over budget on elevators, plumbing repairs, and Capital Expenditures. We expensed the Capital Projects. Refer to the White Pine HOA 2014 Cash and Reserve Reconciliation page in the HOA meeting packet. This is the cash reconciliation page prepared by Paul Pimentel showing where we are with cash. The Reserve Balance on 12-31-2014 was \$140K which by industry standards is a healthy but not extravagant balance. The last page in the HOA meeting packet is the 2015 Budget. There have been some line item changes, but the bottom line is unchanged. The savings we saw in the services contract is being put back into the Reserve to help catch up because are anticipating some CAPEX projects in the near future. If anyone wants a copy of the CPA report, copies of the balance sheet, and P&L, Tom Curtiss has them.

- a. Financial and Budget Q & A:
- a. What is the Commercial & Residential in the Budget? The Commercial has 12.33% ownership of the building which is broken down by square footage. The Commercial condos do not have certain charges that the Residential condos have. For example, the Commercial condos are individually metered. That is the dichotomy between Commercial and Residential in the Budget. That is per the CC&Rs.
 - b. Why did we have expenditure for window cleaning? We cleaned the windows this year after we had a severe storm with the "dirt rain," but it is not budgeted every year. Tom Curtiss hired a company to clean the windows in the entire building after the storm and it was quite economical, \$1,200. Several years ago window cleaning was budgeted every year with mixed reviews. If there is another storm like this, Tom will go to the Board to approve window cleaning again, but we may end up doing it every other year.
 - c. Why aren't the attorney's fee in our budget for the law suit? The attorney's fee for the slip and fall lawsuit is paid by our insurance company. Our insurance company denied the claim, then the renter sued us. Unfortunately, our insurance company may raise our rates in the future because of these two recent claims. This is why it is critical for us to have our service contractor sign a contract where there is a hold harmless, an indemnification, and insurance protection with an additional insured status. We did not have this prior to 2015.
 - d. Are there any expenses that are not on the Budget sheet? All known expenses/costs are in the Budget. However, there may be unexpected expenses that we are unable to predict and are, therefore, not in the Budget. This is the reason we want a healthy Reserve. The Reserve is used for future unbudgeted, known expenses, as well as unforeseen expenses. We have projected out over 20 years the anticipated costs of known, regular, big ticket, maintenance items such as staining of the building, carpet replacement, roof inspection, etc. These are Capital Expenses (CAPEX), which are reviewed every 2-3 years, when adjustments and/or additions are made. There are companies that do Reserve Studies for \$5-10K. The Board decided that a Reserve study was an unnecessary expense. Randy is familiar with Morningstar, and they are running a slightly higher reserve than we are. Our Reserve is in the range of what other HOAs in the area are doing. Dale has a spread sheet of our CAPEX with the projected costs over the next 20 years for known maintenance items.
 - e. Why don't you include the capital expenses that are expected to be done this year in the Budget? We have not put these in the Budget column because our accountant says there are 2-3 ways to do it. We may or may not do the CAPEX in 2015, and we do not know what the costs are. We will be getting some bids on what Dale will discuss later in the meeting for CAPEX. But they will be expensed, as a net loss on the P & L. As far as the Budget goes we have several CAPEX items that will be done this year, and the cost of these CAPEX projects will come out of our Reserve. The \$39K from HOA dues that will go into our Reserve for 2015 may or may not cover all of the CAPEX for 2015. Tom Curtiss said he would be happy to email the Capitol Project spreadsheet that Dale has to any Owner who requests it.
 - f. Does the Board get paid? The Board members are all volunteers who receive absolutely no compensation for the many untold hours of work behind the scenes that keeps everything running as smoothly as possible for the HOA.

NEW BUSINESS:

- a. 2015 Budget Review Including Reserve Discussion: See the discussion above.
- b. Property/Building Update - Dale Anderson, Randy Haddock & Tom Curtiss: After the water leak there were many questions about the soundness of the building. To answer these questions we contracted with Chris Beck, owner of AllWest, who did the original soils work on this site before the building was built. Dale and Chris did an extensive walk around and inspection of the building and came up with a number of issues. The building and the foundation are sound. There are some cracks in the garages which is normal settling and shrinkage of concrete. There is no structural deterioration of the building's foundation. There are a couple of settlement areas. The patio in front of the Market is separate from the foundation of the building. The wall foundation of the building is separate from the slab on ground where the Market, Artists' Gallery, and Pucci's are located. In other words, this area is structurally detached from the foundation of the building. There is a downspout above this area that is not connected into the storm water drainage system. This downspout has been leaking water into that area which is causing some erosion. The slab has settled unevenly which is causing the windows to crack in the Market. When they were done excavating under Pucci's for the water leak, they injected slurry (like a very thin concrete) into that void to help stabilize it. But work needs to be done on the drainage off the roof above the Market. In addition, we need to clean out and inspect the French drains that run along the side of the foundation walls. These drains are supposed to divert water away from the foundation, but they are clogged. The patio slab outside of the Owners' Club is not attached to the foundation wall. It is just a slab on ground and has settled slightly. The brick retaining wall outside of the small (#1) spa is bulging out, and the bulging is probably due to excessive drainage off the spa deck and off the roof of the building. The last item identified is the ecology block retaining wall on the exit side of Garage A. This was a temporary wall put in after the construction of the first phase 12 years ago. A permanent retaining wall was to replace the ecology block wall when phase two was to be built, but phase two has not been built. This area needs better drainage and a permanent reinforced concrete wall. These are the 3 big foundation issues on the building. We do not know the cost of these repairs. We have not solicited bids yet. We are coming up with a statement of work of what we think needs to be done in conjunction with AllWest. Our estimates of fixing the drainage and settling of the Market area is probably in the \$20K range. The ecology block wall replacement could be in the \$30-40K range. None of these foundation issues are catastrophic in nature right now, but these issues will eventually lead to the deterioration of our foundation. At this point, the building and the foundation are sound. When we have the actual cost estimates, we will have a discussion about these repairs. There was a question about why we aren't holding the original architect who designed the building and builder who built it liable for the problems the building is experiencing now. Dale said these are two separate questions. Dale wanted to find out, based on the erosion we have seen, what is going on with the soil and foundation, independent of how the building was constructed. AllWest is a geotech company, not a builder. AllWest did not design the foundation. AllWest did the soil analysis before the building was constructed. AllWest knows the condition of the below grade soil. The reason we had the AllWest analysis is because of the rumors that the building was sliding down the mountain. The downspout and the slab out front is not on our property. Each one of these maintenance items should be a separate issue. This is a work in process.
- c. Services Update: Tom Curtiss. Tom distributed an information sheet with the direct contact numbers for our new service provider, DSS, in case owners see a housekeeping or maintenance problem in the common areas. Tom went over the protocols for DSS. There is dedicated DSS staff in the building from 6:30 to 10:30 am and 9 pm to 1 am daily during the ski season. Summer season will be determined based on occupancy and events on the mountain. DSS's goal is to ensure the building is ready from a mechanical standpoint for the next day. Their maintenance log is kept in the mechanical room of the building. This is

the transparency we were looking for in the service provider. DSS is available for any on-site call while they are here with regard to maintenance security of the building. The term security means keeping watch over the building to ensure it is in working order and to be proactive if there is approaching severe weather, etc. Security by DSS (or even SMR) is not meant as a policing duty. They are not police officers. If owners have a concern about criminal activity, they should call 911. Former HOA President, Roger Bosley, said that when he was President, the HOA hired an off duty police officer during the Christmas break one year because this is usually when people seem to get out of hand. However, it is not financially feasible to hire police security for the entire year, or for the ski season. Tom will work with Devin and the Selkirk front desk about the new protocols for 2015. There will be some gray areas regarding service that will need to be worked out.

- d. Election of Director(s): There are 3 board positions open this year. The Board is nominating Randy Haddock to continue as President, Linda Sakai to continue as Secretary, and Kevin Glynn for the third nomination. Nominations from the floor were Klaus Huschke and Paula Formosa. For the record, there are 5 Board members. Four are elected by the members of the HOA. The fifth position is the commercial, SMR, board member who is appointed by SMR. Tom Chasse is leaving the commercial board member position, and Jade Smith will be the new commercial representative on the Board. Votes are based on unit square footage. One vote is one square foot of a unit. Owners with larger units will have more votes, and visa versa. The votes were collected and tallied by Tom Curtiss and Kim Haddock. The slate of candidates proposed by the Board (Randy Haddock, Linda Sakai, and Kevin Glynn) had 12,841 votes. Klaus had 9,531 votes. Paula had 10,383 votes. Randy Haddock, Linda Sakai, and Kevin Glynn have been elected to the board. Randy told Paula and Klaus not to be discouraged by the results of the election because we need good people who are willing to serve on the Board.
- e. Q&A from the membership:
 - a. Are there any conflicts of interest or affiliations between DSS and any Board member? Are any spouses/family of Board members affiliated with DSS? No. If there were any conflicts of interest or affiliations, the Board would have disclosed it.
 - b. There were compliments about the new carpet.
 - c. There were expressions of gratitude to the hard work of the Board members and Tom Curtiss in the last year.
 - d. When was the carpet supposed to be replaced? On the current CAPEX, it was scheduled to be replaced next year. However, the original date to replace the carpet was around 2009, but it was moved to the future date because the carpet was still in good shape at that time. Linda said Tom Curtiss would know the year of the original carpet replacement date.

For the Good of the Order - Discussion. None

ADJOURN: 16:30.

Respectfully submitted by,

Linda M. Sakai
White Pine Lodge Board Secretary