

Riva Ridge South Annual Meeting

July 26, 2023

Call to Order. Meeting commenced at 4:03 PM (mountain standard time) over Zoom.

Calling of Roll: Tracy Tally, Randy Fishman, Wendy Smith, Sue Popkin, Christopher Smith, Cathy Roberts, Shawn Roberts, Mark Metzger, Patsy Smith, Kathryn Middleton, Phil Lohre, Tim Hargreaves, Proxies: Ruthanne Ruzika (Randy), John Ruggles (Tracy)

Approve Minutes: motion to approve minutes from the December 2022 meeting by Sue Popkin seconded by Patsy Smith

Opening Statement. (Tracy Tally)

Thank you for joining us today. My name is Tracy Tally, and I am serving as President. Randy Fishman is Vice President, and Wendy Smith is Secretary. We represent a complete change of the previous long-serving board members. We thank them for their service and for leaving us with an excellent property. However, with no legacy board members, we have spent the last six months getting up to speed. During this meeting we would like to share some of the information we have learned. We are working as a team with Willows Management, which will be apparent in each segment of this meeting.

We sent a package of information to all of you, and we trust you have had time to review it. Mute will be on during each presentation. Please hold your questions to the end of each presentation at which time the mute will be turned off.

Approve Agenda: motion to approve the agenda was made and seconded.

Financial Statement Presentation. Tracy Tally presented the Balance Sheet and Profit and Loss statements.

Balance Sheet

One key thing to note on our balance sheet is Current Assets includes funds that owners have paid for the note that Riva Ridge South took out for 2020 improvements. While Notes Payable in Liabilities is the Note that Riva Ridge owes the bank.

We have \$109,683 in funds with the note payable of \$75,134. You can see this is an improvement over last year. Since our reserves are low, our management team has been using funds that owners have paid for note payments to help fund operations.

Our retained earnings increased \$52,000 over last year and the note was reduced by \$60,000. We hope to maintain a similar income stream. Please remember this when we get to the Profit and Income.

Other than this, the balance sheet is flat.

Profit and Income

Net income for 2023 is down \$6,000. Our natural gas bill was \$18,000 higher than before. Our understanding is that spot natural gas prices in Colorado spiked due to weather issues affecting production and demand.

Vail is serviced with the Northwest Pipeline; spot market went to \$49.57 in December 2022. Our contracted rate is \$0.40 over the NW Rockies Pipeline spot market. This service contract began in 2013 and has serviced without such an event occurring.

Once we look past Natural Gas, our expenses are flat. However, our anticipated earnings for 2023 may not be \$56,000, as the budget had hoped.

While I am on financials, Riva Ridge does not have a capital improvement line item but does have maintenance expenses that sometimes get confused. Management, Past Boards, and Current Board feels that repairs and ongoing small improvements should stay as maintenance. Sometimes what one owner sees as maintenance, another may see as a capital improvement. Our decade old by-laws give the board leeway to make capital improvements. However, our past building history has been to create a requirement for the owners to approve large improvements that cannot be managed with our limited cash flow. Your current board wants to continue with this method of communication of potential needs while making smaller improvements when needed. Keeping capital improvement as temporary budget items when the needs occur.

I will go into more detail about reserves when we reach the subject.

I would like to address the letter that was sent out to owners last month about account balances and timely payments. We feel that it is important for all owners to be current on making payments. We also feel that we should rely on Willows Management to follow up with owners. We are being fiducially responsible, but we also prefer not to know each owner's payment schedule. The letter was a way for us to simply notify owners of one tool that Willows Management and the board can use for collections. Yes, we do have one owner that is historically slow.

Discussion occurred on gas prices and note payable by the HOA.

Building Update (Tim)

Constructed in 1969, concrete was used to separate the floors, the building is currently in a well-maintained condition for a property of this age. Unit construction included the original use of asbestos which has been mitigated from several units that have remodeled while remaining in others specifically in popcorn ceilings. Windows are mixed as many have been replaced by owners, but some original units remain which are sun damaged, and time worn. Older windows provide less insulation than newer models. Life safety equipment is to code. There is no sprinkler system in the building.

Improvements include the replacement of the original single boiler with three high efficiency modern boilers.

Board Letter (Randy)

The Board of Riva Ridge South is committed to providing Riva Ridge South owners timely information on the financial and structural status of our building. For this reason, we will schedule two owners' meetings a year, in July and in December; we welcome and encourage your participation. We will continue to use the Zoom format to facilitate easy access to the meetings.

Riva Ridge South was built in 1969 and is not immune to normal wear and tear of the structure and its interior and exterior common areas. As a Board, it is our responsibility to properly prepare and schedule appropriate maintenance, repairs, replacements and upgrades to ensure that our building remains functional, attractive, and as well as to preserve its value. These type of capital expenditures include interior and exterior structural, mechanical and cosmetic repairs.

As you are aware, in the past three years we successfully completed the following long overdue capital expenditures:

- Replaced roof
- Replaced exterior balcony railings and repaired decks as necessary
- Installed new hallway carpet
- Refinished hallway walls, painted hallways and stained elevator trim
- Refinished interior doors, replaced door hardware and keyless lock system
- Installed new hall sconces
- Installed new interior art work

These improvements have already proven to be an excellent return on investment. As an example, one of the owners had an appraisal done in 2020 prior to the improvements, and again in 2022, after the renovations were completed. The appraised value of the unit increased \$1 million due in part to these new improvements. Additionally, home owners that rent their apartments have seen increased occupancy and rental income revenues. The bottom line is, if you take a building in a prime location and keep it looking and operating like a blue-chip building, you can increase rental rates and expect an increased sale price when you sell.

These capital investments create long term value.

We are always looking to maintain the appearance and functionality of the building and have completed or will complete the following projects this spring in the off season with funds from our operating budget:

In Garage

- Replaced lighting with high efficiency LED fixtures improving visibility and reducing costs
- Replaced missing ceiling tiles
- Painted parking pillars white, with yellow stripes on the corners to assist visibility

Interior common spaces

- Touch up paint in hallways and elevator
- Alarm panel upgrade to be completed this summer

Exterior

- Inspection of decks
- In accordance with fire codes, removed and trimmed trees around building to prevent fire hazard and gutter damage
- Installed rocks/gravel in areas around building to decrease soil run-off without winter snow cover
- An inground irrigation system to be installed this summer to reduce the consumption of water, decrease excessive water overages and manual maintenance man hours, prevent costly repairs to current system, and enhance the appearance of the building with the elimination of unsightly hoses
- Replacement of the south side gutters planned to be completed this summer

Our operating budget, however, is not adequately prepared to fund the following capital expenditures that currently need to be addressed:

- **Elevator**

The elevator was installed in 1985 and its annual repair/maintenance is currently \$12,000. Our service provider has informed us that replacement parts are increasingly unavailable and often have 3-6 months lead times for delivery. A new elevator is essential for the building.

- **Front entrance stairs and railing**

The front entrance presents numerous hazardous conditions to residents and renters: The rise/step lengths are too steep, the railing is not functional for accessibility, and the inadequate entrance roof overhang creates drainage and ice issues leaving us vulnerable to slip and fall issues.

The Board has been prudent and thoughtful in evaluating these expenditures and recommends them as preventative measures to avoid costly, emergency repairs. Once these capital expenditures are completed, our building will be in excellent shape for the foreseeable future and will continue to increase in desirability and value.

We have prepared a plan to cover these improvements and will present it at our next meeting. We look forward to your input.

Elevator Update (Randy)

The current elevator at Riva Ridge South was installed in 1985, nearly 40 years ago. It has supplied much convenience for homeowners, as well as necessity for residents with limited physical abilities as well as those with strollers and young families.

The Board has investigated options for best programs to ensure that the elevator is functional and safe, and avoids unexpected breakdowns and maintenance issues.

Our current maintenance contract is \$7500/year and does not include parts. Unfortunately, the elevator at Riva is no longer fully supported by the original equipment manufacturer. As of today, there are several components that if they were to fail, would require lengthy down times, and are simply quite costly “band-aid” solutions.

The major components that are no longer supported are as follows:

Door Operator

This is the electronic/mechanical opener located on the cartop. If this fails, there isn’t a viable solution for replacement. The elevator control system historically only communicates with this specific door operator. **Downtime** 20-25 weeks for full modernization

Printed Circuit Boards

The selector boards, which give the position of the elevator in the hoist way and main control boards, which handle most of the functionality of the elevator system are all obsolete. If any of these fail, all four boards will need to be replaced to allow for communication between the boards. **Downtime** 10-14 weeks

Estimated repair/replacement cost - \$18,000-\$22,000

Performing a full replacement of the elevator prior to these failures will allow the Association to receive the best possible product, price, and workmanship, along with being able to plan and schedule the project while the elevator is still in service.

Below is an anticipated cost of the modernization project based on current pricing.

Component lead times are approximately 16+ weeks and all material need to be delivered prior to beginning the work.

Riva Mod Budget Worksheet

	<u>2023</u>	<u>2024</u>
Elevator Scope	\$105,000	\$115,500
Work by Others	\$35,000	\$38,500
Cab/Ceiling Interior	\$15,000	\$16,500
Misc. Fees	\$4,500	\$4,950
Total	\$159,500	\$175,450

A new elevator will still require a maintenance contract. Estimates for this contract are \$3000-\$3600/year. Please note, this is for labor only, no parts. Hopefully, a new elevator will have limited maintenance issues for the first few years.

Discussion. Installation next spring due to lead times for parts.

Reserves Update (Tracy)

Riva Ridge Reserves Guidelines

7/2023

Maintain

Minimum of 60% of annual operation budget. (Example 2022 was \$283,261 = \$169,956 reserves)

Maximum of 90% of annual operation budget. (Example 2022 was \$283,261 = \$254,934 reserves)

When the board is looking at Reserves, it can estimate one forward year of income and/or expenses to maintain these limits.

When prudent, excess funds should be maintained in an FDIC insured interest bearing account.

Discussion. Reserve study.

Entrance Update (Wendy)

In the past few years Riva Ridge South has made some critical improvements, all of which have been covered in the preparation letter and more. This has brought much of the building, both structurally and visually, out of the 1980s and into the present day.

That said, we still have a few issues, the front entrance being one that poses both safety and aesthetic questions and should be addressed.

Here is what we know.

The current entrance has numerous code violations that need to be updated. The steps are extremely steep with short risers. The width of the stairs starts very wide at the bottom and becomes very narrow allowing at the top. The railings as we know are attached to the large concrete flaring walls which makes the railing not particularly functional because it forces people to walk diagonally up and down the stairs. The logical thing to do would be to put a railing in the middle for stability but because the stairs are so narrow on the top half of the stairs it is illegal to do so. The reality is that the stairs pose accessibility issues for many people. I know many owners no longer take the stairs because they are too difficult to navigate or they have taken nasty spills.

Compounding this is the overhang which is not long enough to cover the stairs allowing snow and ice to accumulate at the bottom of the heated stairs after it melts. At the same time the gutter empties out just at the base of the stairs pooling water and creating a hazard when frozen. We have been lucky to

not have issues thus far but as rentals and rental prices increase in our building, these issues will be key to providing a safe environment and avoiding a lawsuit.

All the code violations are matched by a visually sub-standard appearance. The current overhang of the entrance doesn't match the proportion or materials of the rest of the building including a raw painted plywood under lining to the overhang. The entrance is dominated by the brutalist, non-functional, cement wall/railings that create a dirt collecting rock garden and is out style, scale, and proportion to the rest of the building. The lighting is substandard and of the cheapest quality. The gutters are old and ill placed and the sign is out of step with everything both new and old on the building.

We have a building in one of the nicest parts of town but the current presentation is sub-par and we know that this has ramifications to both the overall property value and the ability to receive top dollar for rental properties.

Now that I have explained the problematic issues at hand, I would like to propose our solution

We believe that it is important to update the front entrance of the building bringing it into code compliance and using this opportunity to visually unite the building which has had various changes over the years without any design assistance.

There are very good architecture firms in the area that have done many HOA projects in the past and we have narrowed in one two that we think could easily handle the work.

Currently we have asked two firms what we think we could expect in terms of timeline and pricing. We would look at this project in two phases, the first would be general design and would probably cost around \$15,000. It is then our hope that construction costs would not exceed \$250, 000. We would also like to get this done in 2024 either in the spring or in the fall so that we do not impact anyone's rental and use times too much.

We have assurances from both firms that if approved, today, by our December Home Owners meeting we can present to you plans, firm estimates from contractors, and a timeline in which this would be done.

Discussion.

Vote on Special Assessment

1st round is due September 1st 2023 in the amount of \$243,000 - average of \$13,500 per unit.

2nd round is due April 1st 2024 in the range of \$243,000 to \$324,000 - average of \$13,500 to \$18,000 per unit.

1st round will be used to assure funds are in place for elevator replacement and reserves.

2nd round will be used for entrance improvement once a final plan is presented - scheduled for the December meeting.

Motion Mark Metzger, seconded Sue Popkin. None opposed.

Unfinished Business Sue Popkin thanked the Board. Kathryn Middleton. Implementing recycling is willing to draw up some protocols.

Adjournment Motion to adjourn Shawn Roberts and Sue Popkin seconded. The meeting adjourned at:
5:10 PM