

QUADNA MOUNTAIN TOWNHOUSE ASSOCIATION
MINUTES OF
FALL INFORMATION MEETING
SEPTEMBER 23, 2006

The meeting was called to order by President Bob Madsen at 10:00 a.m. He stated this is an information meeting only and not a meeting to conduct official QMTA business. He thanked everyone for coming and acknowledged the members of the Finance Committee and Building Committee especially for their important work of specific interest to this meeting. He also thanked the members of the QMTA Board, the maintenance staff, and other committees. He reminded attendees that the Board welcomes their comments through the web site at qmta.org. President Madsen informed all that a map has been added to our web site showing buildings and townhouse locations. He introduced Darrell Norell for the Finance Committee report.

Finance Committee Report (Please reference handouts provided at the meeting and attached to these minutes)

Treasurer Darrell Norell discussed the operating budget process. Step 1 was to evaluate historical data of operating expense for the past three years. (See Budget Planning Preparation spreadsheet.) He highlighted some line items with significant change in the historical data:

- Costs of Hill City sewer have been increasing at a high rate (more than \$6,000 between 2004 and 2005)
- Maintenance Supplies have shown a sizable increase due to purchase of siding repair materials
- Chemicals/Supplies for the pool have nearly doubled, primarily due to having two pools in full operation for an extended period of time.
- Repairs Contract – Pool reflects the need for a new heater in older pool.
- Property/liability insurance is higher.
- Repairs Contract increases reflect hiring of outside contractor to repair siding.

Treasurer Norell stated that the conclusion of the Finance Committee members after evaluating the numbers was that essentially all operating budget items benefit all members with few variables.

Step 2 of the operating budget process was to prepare a 2006 Income/Expense Budget. (Reference 2006/2007 Budget spreadsheet.) Treasurer Norell highlighted the total budgeted income for 2006 of \$200,088 and a total budgeted expense of \$214,809. With a projected deficit of over \$14,000, the Board will have to make decisions to cut expenses – probably will not do projected repairs. The Committee and Board also recognized there was a need for proper funding of the operating budget.

Step 3 of the operating budget process was to prepare a 2007 Income/Expense Budget (Reference 2006/2007 Budget spreadsheet) and Step 4 was to propose fee structure changes for this budget (See January 2007 Monthly Assessment Alternatives.)

Monthly assessments will increase effective January 2007. Either the Board will require a 10% across the board increase (permitted by the Bylaws), or the members will approve the restructuring proposal (Bylaws require 2/3 approval). The restructuring proposal objectives were to simplify the rate structure (fewer tiers) and to recognize that most line items in the operating budget benefit all unit owners equally. Treasurer Norell also asked unit owners to review the 2007 Assessments Per Unit spreadsheet which shows what their monthly assessment will be effective January 2007 if the proposed dues structure is approved and what it will be if the proposal is not approved. The spreadsheet identifies which units currently have wood-burning fireplaces and rates reflect the additional \$10 per month charge for firewood. Unit owners were asked to do a self-audit and use the web site to contact the Board if they do not have a wood-burning fireplace or note other errors.

President Madsen recapped the 2007 Assessment Implementation Plan:

- September 23, 2006 Homeowner Information Meeting
- October 9, 2006 (or earlier) Mail Notice of Special Meeting set for November 11
- November 11, 2006 Special Meeting regarding Assessment Changes
- November 11, 2006 Board Meeting following Special Meeting to take action
- December 10, 2006 (or earlier) Written notice of assessment change to homeowners
- January 1, 2007 New operating budget assessment implemented

The October mailing will include a notice of the special meeting and a proxy voting form. Only one vote is permitted per unit by registered owner(s). Owners can present their vote in person or by proxy at the November 11 special meeting.

A question and answer period followed the presentation. There was considerable discussion regarding the \$10 monthly firewood assessment for owners with a wood-burning fireplace. Some people who have outdoor fireplaces wish to be able to use the wood. Others stated that they believe this should be treated like all the other amenities (pool, tennis courts, dock, etc.). The Board agreed to get opinions from all owners via the proxy form. The majority opinion will be used in future budgeting.

Building Committee Report

President Madsen presented the Building Committee report in lieu of the Chair, Bryan Major, who could not attend the meeting. He stated that the monthly assessments have historically been used for the operating budget with some surplus used for repairs.

In the early 1990s, a \$100,000 reserve assessment was collected from the unit owners with a concept to use the revenues for major repairs/replacements. President Madsen stated we still have the \$100,000. Income generated from this reserve during the high interest period of our economy was used for:

- Roof replacement – all buildings one time
- Painting – all buildings three times
- Blacktopping of parking areas

Today, income from the \$100,000 reserve is minimal due to low rates. There are needs to be addressed.

Scope of Report

The Building Committee Report encompasses roofs, siding, decks/patios, and windows/doors. Detailed estimates were done for Building 4. This building consists of 1 studio loft, 2 One Bedroom Lofts, 3 Two Bedroom Lofts and 1 Executive Elite Plus (original Blandin unit). Separate estimates were obtained for a new roof, siding, and another for concrete decks.

Bid Process

President Madsen discussed the bid process. He stated that at this time, contractors are hesitant to give solid numbers per unit until we have the specification sheet completed. They are also hesitant due to work involved in putting a bid together with risk of numbers leaking out to competition. Current numbers are less than anticipated at our spring meeting. The plan is to hand out the entire bid package to 4-6 contractors and possibly lower the cost.

How Committee Arrived at Estimated Costs

The roof on Building 4 was divided into a per square foot cost and applied to units' square footage. For example, if the owner has an 1100 square foot roof, you pay for 1100 square feet; if you have a 600 square foot roof, you pay for 600 square feet, etc.

The same formula applied for siding and decks. On siding, end walls were figured per square foot and divided equally among all owners.

Building Improvements – Roofs

- Buildings 1-5 need new roofs in short term
- Buildings 6-11 roofing needs are longer term
- The recommended product is Certainteed Brand weather wood shingle – a top quality line.

President Madsen recognized Milton Dupre for his help in climbing onto Building 4 roof, measuring each roofline, and identifying each unit's roofline. A chart was also presented showing each unit's roof square footage and the percent of the total for each unit in the building.

Building Improvements – Siding

Again, detail analysis was completed for Building 4 and President Madsen thanked Milton Dupre for his help in identifying everything for each unit that requires replacement. The general findings included replacement of all trim, replacement of air/heat unit roofs, replacement of all gables, replacement of all corner and siding trim, and replacement of soffits, fascia, and privacy fences. Needs will vary by building and units.

Siding alternatives reviewed were steel, vinyl, wood, and concrete board. Chair Bryan Major had put some samples on the side of Unit 360 so that homeowners can review them (but owners should ignore the colors). The Committee suggested that all units do not need to be exactly the same. For example, buildings 1-5 might choose to use vertical siding, while buildings 6-11 might choose to use horizontal siding. These building groupings have a different architectural design.

The recommended product by the Committee was quality steel siding which includes aluminum soffits and fascia, gutter, downspouts, and a cap on the lower edge of the current sheeting. Tyveck wrap would be installed over existing siding. Color and brand to be determined.

The Committee informed the group that there was a missing bid for replacement of existing rotted siding. Building 4 has each individual bad sheet identified on a drawing. This is estimated to be a relatively inexpensive part of the project and may even be covered with the existing estimates.

Building Improvements – Decks/Patios

The Committee looked at the following alternatives:

- Treated Wood
- Maintenance Free Decking
- Concrete Patios (where a new sidewalk would be an automatic by-product)

The Committee perceives that all buildings do not need to be the same. For example, buildings 1-5 might be different than buildings 6-11.

The Committee recommended concrete patios for buildings 1-5, primarily because the current 4-5 foot frost posts are not working. They propose 12" of sand and 2" of blue board insulation underneath to prevent frost heaving. Other users have had excellent success with this and we could incorporate a new sidewalk into it.

Building Improvements – Windows

President Madsen stated the QMTA policy that window replacement is the responsibility of the owner. Recent windows (clad in vinyl or aluminum) will be reused. If the owner wants to reuse old windows (not clad in vinyl or aluminum), the Committee perceives we need a release waiver to ensure the owner is aware of their responsibility for additional siding costs when the windows are replaced.

The recommended product for sliders and windows is the Anderson Brand in a Teritone color. The Anderson brand is recommended due to the large number of existing Anderson Teritone already installed and the quality of the product (and to maintain consistency).

Sample cost estimates were shown for each unit type in Building 4 for a new roof, steel siding, concrete insulated patios, and new windows/patio doors.

Building Improvements – Project Interdependency

President Madsen stated that the Committee feels the ideal situation is to do all replacement (roof, siding, decks/patio) at one time. This is less costly and gives an immediate result. A decision, however, needs to be made on a building level.

Individual Building Information

Buildings 1, 2, 3 and 5 should all fall into the same pricing category, except they have 8 units per building vs. 7. Buildings 1-5 are in need of repair first due to extensive deteriorating roof, siding, and trim.

Buildings 6-11 have not been looked at in detail due to the time Buildings 1-5 have consumed. Roofs and decks are fairly sound in Buildings 6-11, therefore they should fall under the \$10,000 range per unit for siding (assuming today's prices).

Buildings – Next Steps

First, there needs to be commitment from owners. This will involve formal approval of the project/funding alternative by a majority in accordance with QMTA legal documents. Financing will need to be pre-arranged before bids will be submitted.

Funding Alternatives

President Madsen discussed some funding alternatives:

- Special assessment by unit type (size) with all improvements projected (individual accounts established by unit)
- Special assessment by unit – as improvements are made
- Monthly fee increase to all units by unit type (size) to cover projected expenses. This would require a QMTA bank loan to offset.
- Use \$100,000 reserve fund as collateral for interim financing.

By-law Changes

President Madsen stated there may be a requirement to make by-law changes to accomplish the recommendations and asked for volunteers adding to the By-law Committee chaired by Carla Gillson (accountants, attorneys, and experienced owners would be especially welcome).

Questions and Answers

One unit owner in Building 4 stated they had experienced some roof leakage in early spring and perceive that a new roof is needed as soon as possible. An owner commented that the old air conditioning units should probably be replaced during the new siding task. An owner stated QMTA will have a need to manage contractors and suggested we need a professional manager. An owner of Building 2 commented that some owners of that building perceive there is no need for a new roof, siding, or deck.

Maintenance Committee Report

Dan Clark, Chair of the Grounds Committee gave the report.

Summer Maintenance

A. Pools

- New pool was open 102 days (May 26 to September 5)
- Old pool open 67 days (June 30 – September 5)
- Old pool still has some air in the skimmer lines and still loses some water
- New pool furniture (2 tables, 12 chairs, 10 lounges) are stored in activity building for the winter
- New pool was closed 3 days due to visible signs of human feces.

B. Grounds

- Flower beds watered
- All shrubs were pruned between 1 and 3 times depending on shrub type
- Rock beds were sprayed with Roundup and cleaned twice
- Repairs were made on retaining wall by old pool

- A significant amount of tree limb and branch removal was done on lawn edges
- New John Deere mower works great but due to an extremely dry year – less mowing

C. Buildings

- Maintenance staff has done some building and rain gutter repairs this summer
- Worked with Building Committee on ideas, quotes, and specifications as requested

D. Miscellaneous

- LP gas contract for 2006-2007 is complete. The contract allows up to 20,000 gallons at \$1.49/gallon. Omega Management will probably quote owners \$1.51/gallon to cover hazardous material fees.

- Started a monthly maintenance schedule for our softeners
- Video-taped all problem sewer lines. Repairs were made to Building 8's 4" line, others are in process.

Fall and Winter Plans

- Work with Tom Semlor on building and rain gutter repairs – buildings 6-11
- Get grounds ready for winter (leaf chopping, rockbeds, etc.)
- Get dock out
- Work on external building problems (with Board setting priorities)
- Clean all electric heater filters twice (late fall and spring)
- Continue making new routed wood signs as necessary
- Usual winter dock section repairs
- Unit screen repairs
- Winter heat checks
- Snow removal as required

Special Projects

Dock Committee

Chair Joel Richards stated that the Dock Committee learned we can add to either end of the current townhouse dock. The Committee will continue to work on this special project during the winter months.

Parking

President Madsen commented that long-term parking may continue in the area near Building 10. Further work on this project will be delayed pending resort ownership status.

Summary

President Madsen stated that Quadna Resort and townhouse ownership demographics have changed. We need to respond. He provided the following historical notes:

- Eleven townhouse buildings with 93 units total were built on 6+ acres in the period from 1974 – 1978
- In the 1970s to early 1990s
 - 80% were rented as part of the resort complex
 - Today:
 - 25% QMR (rentals) and RCI
 - 10% Permanent residences
 - 55% Vacation homes and RCI
 - 10% Timeshares and RCI
- Resort ownership changed multiple times with varying degrees of success
- In mid-1980s, QMTA acquired land/lakeshore, additional pool, tennis courts
- In 1990 the Activity Building was built
- QMTA management:
 - 1974 – 1978: Ryan Development
 - 1978 – 1992: Wayne Ford, Property Manager
 - 1992 – 2000: Multiple short term managers (i.e., Parsons, Heidi Lee, etc.)
 - 2000 – 2005: Managed by Board. Bill Berger key when resident
 - 2005 – 2006: Board restructured. Committee approach initiated.

- Improvements made during period:
 - Painted all units 3 times
 - All units re-roofed once
 - All decks replaced once
 - Addition/maintenance of pools, dock area, tennis courts
 - Repair and pave all QMTA parking areas

Management of QMTA

- Management of QMTA requires an incredible amount of time by Board and Committee members
- Management is complex and many issues need to be addressed as a result of maintenance and replacement needs, assessments, by-law changes, etc. More participation by the homeowners in support of the Board is required.
- Communication is made more difficult due to the fact that home locations of Board and Committee personnel are disbursed.
- Consideration should be given to expanding the use of outside management and consulting for part or all of the Association activities. Your input is requested. This will be a special project.

The meeting was adjourned.

/s/ Joanne Madsen, Recording Secretary