**GL7OA Board of Directors Meeting**

**Tuesday, October 20th, 2020**

**Attendance**

**Board:**  Roger Lemmon, Nick Doran, Linda Cole, Mike Hedensten, Blake Davis

**Advisory Committee:** Bill Regehr, Jamie Keiffer, Yvonne Fromm, Stan Katz, Steve Gunther

**Management Company**: Joanni Linton, Nick Borovich, Kimberly Tramontana, Peggy Helfrich, Joe Clark- Fulcher, Mary Kay Perrotti, Stephanie Harding, Colin Timm, Mike Dudick

1. **Call to Order** 
   * Linda Cole, the GL7OA Board President called the meeting to order at 5:08pm.
2. **Changes to the Agenda**
   * Addition of GL7 Ski Lockers document
3. **Approval of 5/30/2020 Meeting Minutes**

**Nick made the motion to approve the May 30, 2020 meeting minutes and it was seconded by Blake.**

No discussion.

**All in favor, motion passed**

1. **Financials**
   * Review and Accept Unaudited YTD August 2020 Financials
     1. Overall, the Operating Budget is experiencing a favorable variance of $504,975 YTD.
     2. Operating Revenue shows a favorable variance of $54,434 YTD.
     3. We are happy to share that the Operating Expense shows a favorable variance of $559,408!

**Blake made the motion to accept the GL7OA YTD August 2020 Unaudited Financials and it was seconded by Mike.**

No Discussion

**All in favor, motion passed.**

* + **Accounts Receivable Performance Update**
    1. As of 10/1/2020
       1. 97% of 2020 dues paid as of 10/1/20
          1. $20K in bad debt
       2. 15 deeds recovered via deed recovery by BGVAEM:
          1. $5K in bad debt
          2. 3 accounts with past due balances
       3. $17K gained in buy out negotiations
          1. 8 accounts
       4. 14 accounts currently in foreclosure

*Discussion:*

* *The owners that have missed paying are predominately beyond 90 days past due as they missed the March 1st due date.*
* *BGV sends the account to Blackwell Recovery when they go to collections.*
* *BGV is being flexible with payments; offering payment plans, waiving late fees, suggesting other payment options.*
  + **Reserves Review**
    1. As discussed in the Spring, we deferred several projects at the onset of the pandemic. The reserves have been updated to show what we deferred until 2021.

*Discussion:*

* *Early on in the pandemic BGV was reacting to what was in front of them financially, so the decision to defer some projects initially began with that perspective. As time has gone on BGV has taken into account how many people and vendors can be on property at a time, what projects already had deposits paid and any projects that needed to be completed for safety reasons.*
  + **Ski Lockers**
    1. Sales would like to add an additional 57 lockers in the hallway that connects the North & South buildings which is HOA Common Space. This would give the HOA revenue of $250 annual maintenance fee per locker.

*Discussion:*

* *There is concern for pet owners trying to pass through the hallway to get to the pet park.*
  + *These lockers will be year-round, wholly owned lockers, so there will be less concern for over-crowding in the hallways compared with overnight lockers.*
* *Other locations for the lockers were discussed, but they did not allow for proper egress.*
* *There will be additional benches near the putting green.*
* *There are other year-round wholly owned lockers at neighboring resort, Crystal Peak Resort, as well as outside of the garage.*

**Mike H made the motion to accept the GL7 Ski Locker Addition and it was seconded by Blake.**

No Discussion

**All in favor, motion passed.**

* + **Club Rules and Regulations**
    1. **Bonus Time Increase**

Bonus Time rates were last increased in 2018. Since that time, operating costs have increased, while Bonus Time rates have remained unchanged.

As a result, Breckenridge Grand Vacations (BGV) intends to implement a rate increase to the current Grand Lodge on Peak 7 Bonus Time rates.

Current rates are listed below, in addition to the highlighted increased rates.

Current Bonus Time Rates:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **GL7 Bonus Time**  ***Anything Inside 14 Days*** | | | | |
| **Spring/Summer/Fall** | | | **Winter** | |
|  | **Weekday** | **Weekend** | **Weekday** | **Weekend** |
| Suite | $79 | $99 | $99 | $119 |
| Master | $99 | $119 | $119 | $149 |
| Two Bedroom | $129 | $139 | $139 | $209 |

Bonus Time Rate Increase:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **GL7 Bonus Time**  ***Anything Inside 14 Days*** | | | | |
| **Spring/Summer/Fall** | | | **Winter** | |
|  | **Weekday** | **Weekend** | **Weekday** | **Weekend** |
| Suite | $99 | $109 | $109 | $129 |
| Master | $119 | $139 | $139 | $159 |
| Two Bedroom | $149 | $169 | $169 | $219 |

Bonus Time remains a part of the Grand Lodge on Peak 7 Club program and BGV is committed to maintaining Club benefits for our Grand Lodge on Peak 7 owners who belong to the Club.

BGV will educate owners about this rate change through a variety of communication channels.

*Discussion:*

* *Bonus time increases are happening at all resorts.* 
  + 1. **Administrative Fee Increase**

Grand Lodge on Peak 7 Point Stays administrative fee has not increased since the property opened in 2009. Since that time, operating costs have increased, while administrative fees have remained unchanged. These fees help cover additional administrative configuration of the Point Stays and any additional cleaning.

As a result, Breckenridge Grand Vacations (BGV) intends to implement a rate increase to the current Administration Fees.

Grand Lodge on Peak 7 Club Membership plan and Rules and Regulations currently show $75 fees, with a planned increase to $100

*Discussion:*

* *You would see administrative fees if you book a points stay.*
* *Administrative Fee Increases are happening at all resorts.*
  + **Interval International Agreement Update**

Highlights:

* + 4-year term with no auto-renewal
  + Exclusive agreement
  + Interval will produce a new IntervalHD video for Grand Lodge on Peak 7 ($12,000 value)
  + An Interval representative will attend the annual HOA meeting
  + All confirmations to the resort booked on or after October 1, 2020 are subject to a Vacation Experience Fee. The fee will be the following: studios/suites & one- bedroom units $15/night, two-bedroom units $30/night, three-bedroom units

$45/night & four-bedroom units $60/night. This is an increased revenue stream for Grand Lodge on Peak 7 and is valued as follows:

* + 1. GL7OA value for 2021 = $207,272
  + Interval will provide a rebate to offset the Owner Relations expense to GL7OA due to BGV having its own exchange support department and is valued as follows:
    1. GL7OA value for 2021 = $15,796
  + Interval will contribute $2,000 towards the Grand Lodge on Peak 7 Annual HOA Meeting Reception
  + Interval and BGV IT will work together on launching single sign-on functionality so that when owners are logged into Grand Central they will enjoy seamless authentication when connecting to [www.intervalworld.com](http://www.intervalworld.com/)
  + Interval will enhance BGV’s Exchange Support Department software access, allowing for more and better ownership support
  + For internal exchanges (i.e. Grand Lodge summer week to Grand Lodge winter week) Interval will discount the exchange fee by $20 for Grand Lodge on Peak 7 owners

*Discussion:*

* *There are portions of this agreement that Interval has asked us to keep confidential, but fees will be communicated to exchange guests.*

**Nick made the motion to accept the Interval International Affiliate Agreement and it was seconded by Mike.**

No Discussion

**All in favor, motion passed.**

* + **Strategic Budget Plan**

This presentation will be a follow up to the discussion at last fall’s Board meeting. As the GL7OA is now responsible for all resort operational expenses, we are working towards achieving a fair market management fee. At this time, the current management fee does not cover all General and Administrative (G&A) expenses for services rendered on behalf of GL7. In an effort to not steeply increase dues, a multi-year strategy has been modeled to illustrate what this could look like.

*Mike Dudick - We shut down on Sunday, March 15th. All resorts were vacated by Thursday, March 19th. We reopened June 1st. The period of the closure is our biggest revenue generating time of the year. We have had very limited positive COVID-19 cases in owners, guests & staff. The financial impacts will likely be with us for years to come. The socializing events that we typically do in Denver (sporting events, art festivals, etc.) have been halted. But, we are optimistic that the trends like people wanting to travel, owner’s ability to pay dues, etc. are looking great. COVID-19 has changed the way that we do business for the better. We are grateful for you all and always welcome your ideas. You all on this Board are part of helping create special memories for your fellow owners every day.*

*Discussion:*

* *Around 2030 BGV will breakeven and then look to make a reasonable profit.*
* *BGV will provide a Memorandum of Understanding. The goal of that will be to have clarity on both sides regarding our intended roadmap with targeted timelines.* 
  + **Review the Proposed 2021 GL7OA Budget for Board Approval**

**PROPOSED 2021 BUDGET**

The 2021 budget was created under the assumption that existing COVID-19 safety and cleanliness protocols will need to be maintained throughout the entire year, based on what we currently know. Please be advised that adjustments will be made, if necessary.

The General Summary

Total Proposed 2021 GL7OA Budget: $10,422,694

* + Based on the forecast for the remainder of 2020, GL7OA is expected to have a favorable Operating Fund variance of $255,740 (approx. 2.6% of total budget). Additionally, GL7OA has $672,854 in operating retained earnings as of 12/31/2019. Approximately $625,000 of these retained earnings are being utilized in the Fund Deficit line item to keep the 2021 dues as low as possible. We realize that we have never proposed a budget with a $625,000 loss before but we do anticipate that the COVID-19 related expenses will eventually go away in the future. The Board can choose to adjust the loss amount, if desired.
  + In the proposed 2021 budget, two new operational expense line items titled COVID Safety and COVID Equipment have been added.

Please refer to the next page for significant increases/decreases detail. Dues Comparison

* Current Annual 2020 Dues: *$1,616.82* (per week in a 2-bedroom lock off)
* Proposed Annual 2021 Dues: $*1,743.20* per week in a 2-bedroom lock off)
* Total increase to the annual dues from 2020 to 2021: $126.38

*Discussion:*

* *BGV increased housekeeping wages in order to remain competitive in the market.*
* *BGV is forecasting an unfavorable variance of approximately $77K by year end between common area and unit cleans.*
* *IMA advised BGV not to switch to 10/1 start date for insurance as they believed that it would result in spending HOA funds unnecessarily because they are predicting insurance rate increases of 15-20% this year.*
* *BGV is locked into the current insurance rate until February 2021???*
* *Linda will be providing her Board President letter to accompany the budget ratification, addressing the cost savings measures and the Board’s approval of using retained earnings to partially offset the dues increase.*
* *If GL7OA did not use the retained earnings it would have added another 6% increase, or about $600K, to the dues, totaling a 15% dues increase.*
* *GL7OA is using $625K of a projected $675K in retained earnings for 2021 Budget offset.*
* *2021 is a valuation year for property taxes and BGV will protest a valuation increase.*

**Roger L made the motion to approve the proposed 2021 GL7OA budget and Mike seconded.**

No Discussion.

**All in favor, motion passed**

1. **General Manager Report**

Gold Standard of Safety and Health:

With owners and guests traveling from across the country, the BGV Shines program has raised the bar for cleanliness and resort operations to ensure the well-being of our employees, owners, and guests. We continue to evolve the BGV Shines program as we look to strike a balance between the financial impact of these protocols and providing everyone with a safe vacation experience. At Grand Lodge on Peak 7, this program includes:

* UV sanitation in each residence between departure and arrival
* UV sanitation, electrostatic sprayer, and chemical sanitation in all common areas
* Needlepoint bipolar ionization air treatment in selected common areas
* Reservation system for resort amenities, allowing for physical distancing and contact tracing
* Sanitation stations throughout the resort with masks, sanitizing wipes, and hand sanitizer
* Curbside check-in available for arriving owners and guests who prefer an alternative to the traditional check-in experience
* BGV Shines Promise, agreed to by each travel party prior to check -in, each employee at the beginning of their employment, and each vendor prior to beginning work on property

Updates and Enhancements:

We are always looking to improve both the vacation experience and ownership experience. To accomplish this, we review suggestions and feedback we receive and make changes as needed. We are excited to share enhancements that have been completed this summer and fall. Here are some highlights:

* We now have the capability to text our owners and guests on property with real time updates. If the pools are closed due to inclement weather or an amenity is

closed due to a necessary repair, we can now efficiently and effectively communicate with everyone on property as well as provide updates on re- openings, etc. This feature has significantly improved communication between resort staff and our owners and guests throughout their vacation while reducing face-to-face interactions.

* Quick Response codes, better known as QR Codes, are available for our owners and guests to easily access information around the resort by scanning a picture of a code with a smart device. Below is what can be accessed:
  + Soothe Spa Menu
  + Sevens Menu
  + BGV Shines information and education
  + Recycling information and education

The final round of sleeper sofas was installed in the South Building. These were scheduled to be installed during the fall resort closure that was cancelled due to COVID-19. Due to streamlined procurement and flexible installation dates by the vendor, these were able to be installed early. This update means that all sofas on property are the same style, making repairs and replacements an easier process.

Looking Ahead:

Looking to 2021, we are planning a number of property upgrades and replacements which will ensure we adequately maintain the resort to the level our owners and guests have come to expect, while balancing the increased financial responsibilities of health and safety. These projects are funded in the reserve budget and include:

* Replacing residence blinds
* Replacing living room coffee tables and end tables
* Remodeling the grotto, steam room and dry sauna
* Upgrading Theaters 1 &2 to 4k viewing
* Refurbishing all elevator cabins

*Discussion:*

* *Summer reservations for hot tubs reached maximum capacity and winter reservations will be reevaluated as needed.*
* *Please check Grand Central for up-to-date Day Use information.*

1. **New Business / Updates**
   * First Amendment to the Management Agreement

An addendum to the Management Agreement is proposed, which addresses clarification and definition to the following sections:

1. Termination. Section 3.2 (c)

Mismanagement, performance of any dishonest act, performance of any material act which exceeds the authority provided in this Agreement, or failure to operate the Project within the approved budgets, (i) as revisions to those budgets are approved and within a standard for material deviations which allows for an increase of up to 10 percent (10%) of the overall budget amount or (ii) as required, as determined in Manager’s reasonable discretion, to respond to emergency health and safety conditions.

1. Limitations on Powers of Manager. Section 5.6 (c)

Entering into any contract involving more than $10,000, unless specified in the budget.

1. Limitations on Powers of Manager. Section 5.6 (i)

Disbursing funds in excess of $10,000 without counter signatures

**Blake made the motion to approve the First Amendment to the Management Agreement and Roger seconded.**

No Discussion.

**All in favor, motion passed**

1. **Miscellaneous**
   * **Comments to/from staff**
     1. N/A
   * **GL7OA Snapshot**

* Remained reliably in the Top 10 on Trip Advisor, currently at #3 of 23 properties under “Hotel” category and have 4.5 out of 5 stars!
* Owners and guest service scores YOY:

|  |  |  |
| --- | --- | --- |
| **GL7 Service Score Comparison** | **Last Year’s Avg**  **10/1/2018-9/30/2019** | **This Year’s Avg**  **10/1/2019 – 9/30/2020** |
| **Front Desk** | **9.25** | **9.08** |
| **Room Engineering** | **9.03** | **8.99** |
| **Housekeeping- Room Cleanliness** | **9.41** | **9.48** |
| **Housekeeping- Staff** | **9.10** | **9.16** |
| **Activities** | **8.95** | **9.05** |
| **Amenities** | **9.27** | **9.31** |
| **Soothe Spa** | **9.20** | **9.22** |
| **Sevens** | **7.56** | **7.43** |
| **Shuttle** | **9.25** | **9.24** |
| **Overall accommodations** | **9.02** | **8.97** |
| **GNPS** | **67.13** | **65.78** |
| **GONPS** | **67.29** | **66.62** |

* Some owner and guest service scores have increased while others have decreased.
* The scores tell us how we are doing; however, the comments help us identify ways to specific opportunities to improve. Based on the feedback received the following action items have been implemented or are in progress to improve scores:
  + North Building unit lamps have been updated to brighten up the living rooms. These comments were specifically related to the natural night in the Suite residences.
  + WiFi continues to remain an opportunity as owners and guests have begun to bring their work and school on the road with them. Upgrades to internet speeds are on the docket for early Winter.
  + Management has been working extensively with Sevens restaurant to improve the dining experience for owners and guests. We are excited about the upcoming changes this winter season, as they have a new leadership team and menu options.
  + We welcome all suggestions for ways to continue to be better tomorrow than we are today.
* Property improvements in 2021:
  + Coffee Tables and End Tables will be replaced in South Building residences.
  + All blinds in South Building residences will be replaced.
  + Elevator refurbishment for all guest and staff elevators.
  + Rotating carpet replacements will continue in the following areas:
    - Ski Locker Room
    - North Building Ground Floor
    - South Building Ground Floor
    - Library
  + Aquatics deck and fence to be replaced.
  + Grotto and Steam Room will receive a tile and deck remodel.
  + Theaters 1 & 2 will receive updated projectors and technology.
* Reserve studies show 8.7% funded based on actual cash balances as of 8/31/20 for 30-year forecast:
  + GL7 unit – 10.5%, per 2021 PRA
  + GL7 common – 6.8%, per 2021 PRA
* % of dues allocated to reserves in 2020 for a 2 bedroom:

o 18.4%

* HOA dues comparison for 2021:

|  |  |  |  |
| --- | --- | --- | --- |
| Grand Lodge on Peak 7 | Breckenridge | 2 Bedroom | $1,743 (proposed) |
| Grand Colorado on Peak 8 | Breckenridge | 2 Bedroom CO | $2,289 (proposed) |
| Grand Colorado on Peak 8 | Breckenridge | 2 Bedroom Breck | $1,990 (proposed) |
| Marriott Mountain Valley Lodge | Breckenridge | 1 Bedroom | $1,700 (2020) |
| Hyatt Main Street Station | Breckenridge | 2 Bedroom | $2,070 (2020) |
| Valdoro Mountain Lodge | Breckenridge | 2 Bedroom | $2,900 (2020) |
| The Ranahan by Welk | Breckenridge | 2 Bedroom | $2,540 (540,000 points) |

* GL7 Annual Dues Increases:

|  |  |  |  |
| --- | --- | --- | --- |
| **Grand Lodge on Peak 7 Owners Assoc.** | | | |
| **Annual HOA Dues Analysis** | | | |
|  | 2 Bedroom |  |  |
|  | Annual | Annual | Annual |
| Year | Dues | $ Incr (Decr) | % Incr (Decr) |
| 2021 | $1,743.20 | $126.38 | 7.8% |
| 2020 | $1,616.81 | $55.44 | 3.6% |
| 2019 | $1,561.37 | $98.29 | 6.7% |
| 2018 | $1,463.08 | $61.27 | 4.4% |
| 2017 | $1,401.81 | $88.80 | 6.8% |
| 2016 | $1,313.01 | $38.22 | 3.0% |
| 2015 | $1,274.79 | $94.01 | 8.0% |
| 2014 | $1,180.78 | $31.37 | 2.7% |
| 2013 | $1,149.41 |  |  |

* Increase to dues comparison:

o 2014 – 2021 GL7 annualized dues increase – 5.6%

* Budget to Actual variance comparison:

2014 Budget $7,106,986

* 2014 End of Year Op Fund Deficit of $115,073 – 1.6% of the total budget

o 2015 Budget $7,727,088

* 2015 End of Year Op Fund Excess $222,001 – 2.9% of the total budget

o 2016 Budget $8,036,665

* 2016 End of Year Op Fund Excess $57,277 - .7% of the total budget

o 2017 Budget $8,644,223

* 2017 End of Year Op Fund Excess $159,567 – 1.8% of the total budget

o 2018 Budget $9,023,685

* 2018 End of Year Op Fund Excess $81,677 – 0.9% of the total budget

o 2019 Budget $9,539,605

* 2019 End of Year Op Fund Excess $374,333 – 3.9% of the total budget

o 2020 Budget $9,891,579

* + Six-year average budget to actual variance is 2.0%
* GL7OA AR as of 10/1/20:
  + 97% of 2020 dues paid as of 10/1/20
* EOY 2019:
  + 98% of Dues paid
  + 30 deeds recovered
    - All via deed recovery by BGVARM: $20K in bad debt (only 3 accounts with past due balances when cancelled – 1 at $18k)
  + $40K gained in buy-out negotiations (17 accounts bought out)
* As of 10/1/2020:
  + 14 Account currently in foreclosure
  + 15 deeds recovered
    - All via deed recovery by BGVARM: $5K in bad debt (3 accounts with past due balance when cancelled)
  + $17K gained in buy out negotiations (8 accounts)
  + **NPS**
    1. GNPS is at 64%, with 75% being promoters
    2. GONPS is 65%, with 74% being promoters
  + **Trip Advisor**
    1. Grand Lodge on Peak 7 is currently ranked #3 of 23 Hotels in Breckenridge

1. **Important Dates**
   * **Proposed date for Board 7 Annual Meeting**
     1. Saturday, June 5, 2021\*

\*Due to sparce information regarding typical annual meetings, such as ARDA World Conference, as well as other uncertainties, this meeting date is subject to change.

*Discussion:*

* *BGV will resume in person meetings as soon as it is safe to do so.*
* *BGV will also investigate a hybrid meeting option for those who cannot join in person when that time comes.*
* **Agreement Dates**
  + 1. Management Agreement:
       1. Initial term from 1/1/2020 – 12/31/2029
       2. Auto renews for successive periods of 5 years
       3. Action for change required 180 days prior to renewal
    2. Interval International Agreement:
       1. 12/5/2020 – 4 years?
       2. No autorenewal
    3. Resale Agreement:
       1. 1/1/2018 and auto renews annually
       2. Auto renew with 90 days written notice for change
    4. External Reserve Study Update Due:
       1. 2021
    5. Sevens Restaurant Lease:
       1. 2/4/2024
       2. Action for change required no earlier than 365 days and no later than 180 days

1. **Action Items**
   * **Review Current Action Items**
     1. No current action items
   * **Action Item Summary**
     1. Explore adding an Escape Room at GL7

*Discussion:*

* *BGV and GL7 are in the process of evaluating the locker room usage for ski season.*

**The meeting was adjourned at 7:38pm, by Roger/Linda**